Nation's Business®

The Small Business Adviser

A Look At '95 Truck Models

What's At Stake In This Year's Elections

Business Kills Health Mandate

THE CHANGING WORLD OF Financial Services

Small business is feeling the impact as banks, insurers, brokerages, and other types of money-management companies alter the way they do business.

OCTOBER 1994 *Published by U.S. Chamber of Commerce - $2.50*

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IN THE MORNING,

YOU PRINT

OUT A LASER SHARP

BLACK AND WHITE

PROSPECTUS FOR YOUR

NEW CLIENT.

IN THE AFTERNOON,

IT'S YET

ANOTHER SET OF

FINANCIAL

REPORTS TO THE

ACCOUNTANT.


Bill Borders, President   Las Vegas Auto Parts   Las Vegas, Nevada.
"IT'S MORE THAN
IT'S MY SILENT PA

When it comes to reliable business partners, there's one that you can always count on: the Safari cargo van from GMC Truck. Safari comes with all of the strength and reliability that made GMC Truck famous. But there's so much more.

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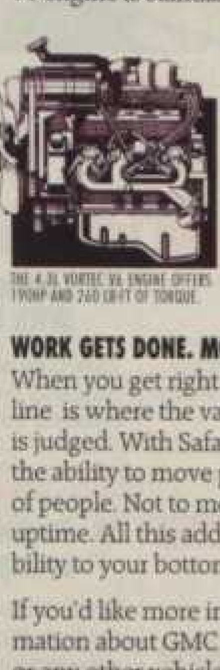

THE 4.3L VORTEC V6 ENGINE OFFERS 190HP AND 260 LB-FT OF TORQUE

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THE STRENGTH OF EXPERIENCE

Mr. Bill Borders owns a 1994 Safari cargo van and several other GMC Truck products.

 Buckle up, America!

Nation's Business®

Published by U.S. Chamber of Commerce Washington, D.C.

PHOTO: ©SHAWN SPENCE

Supermarket banking *is just one of many signs of the changes sweeping the financial-services industry. At a Cub Foods store in Indianapolis, NBD Bank's Linda D. Lacy, left, and Rayetta L. Shew meet shoppers. Cover Story, Page 22.*

PHOTO: JIM STRATFORD—BLACK STAR

Multiple choices: *Richard Jenkins uses a multi-unit strategy to get ahead. Franchising Special Guide, Page 66.*

VOL. 82, NO. 10

Editor's Note

A Sharp Focus On Change

We are frequently reminded that "what's past is prologue."

That's certainly the case with our cover story this month, "The Changing World Of Financial Services" (Page 22). While it deals with trends that will continue well into the 21st century, the roots of this issue are found in the 1920s and '30s. The economic chaos of the 1930s gave rise to regulatory agencies determined to enhance security and minimize risk. But the new generation of Americans now wants to decide for itself how much or how little risk it wants to take.

This cover story, written by Senior Editor Joan Szabo, explores these changing attitudes, how they are affecting financial services, and what they mean to small business. It's a sweeping view of one of the most important areas of our economy, and you will find that it brings a highly complicated subject matter into a focus that makes it meaningful to you as a small-business person.

This month's cover story marks a major expansion of our financial-services coverage. We will follow up next month with the introduction of the Small-Business Financial Adviser, in which top experts will cover key areas of finance. This new department will mark another major step in our continuing effort to bring you the practical and relevant information that you need in meeting the day-to-day challenges of your enterprises.

Returning to this month's issue, you will find on Page 46 another of the in-depth reports that we have carried throughout the debate over health-care reform. These articles, by Assistant Managing Editor Roger Thompson, have cut through the confusion and hyperbole surrounding this controversy to give you the small-business perspective.

This subject affects our readers as employers, managers, individuals, family members, and taxpayers. We will continue this specialized coverage as long as health-care reform remains an active issue.

Robert T. Gray

Robert T. Gray
Editor

PHOTO: ©TONY O'BRIEN

"I see retailing *as entertainment," says crafts-complex owner Charles McQuade of Santa Fe, N.M. Making It, Page 16.*

DEPARTMENTS

Cover Design: Hans A. Baum
Cover Photo: ©Lesley Sandles

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Letters

A Training Program That Shows Promise

I read your excellent August cover story on welfare reform and thought you might like to know about the Rural Allied Medical Business Occupations (RAMBO) project in Nebraska. The program is designed to address a critical labor need by helping economically disadvantaged people get decent-paying jobs as rural health-care workers.

Thirty-nine people participated in a federally funded test of the project at a community college. Of those, 28 completed training—23 as licensed practical nurses, three as drug and alcohol counselors, one as a respiratory therapy technician, and one as a histology technician. The program is being expanded to community colleges statewide and to other occupational fields with worker shortages, such as construction. (Nebraska's unemployment rate is under 3 percent.)

The test of the program was funded by a grant from the federal government, although RAMBO is now supported by the private sector. The project may receive state money in the future.

Although RAMBO is not billed as "welfare reform," the project does take people off welfare. In a matter of years, the program pays for itself.

Bob Waddell
Director of Information
Nebraska Community College Association
Lincoln, Neb.

[Editor's Note: For more information on the Nebraska program, call Bob Waddell at (402) 471-4685.]

Sizing Up Government Largess

Your cover story painted a compelling portrait of a welfare system out of control, but the estimate of 1992 federal and state welfare spending at $289.9 billion that you gave understated the enormity of the problem.

Your source, the Congressional Research Service of the Library of Congress, bases its spending estimates on 81 programs that provide benefits to people with limited income. Yet even greater government largess goes to the middle and upper classes through social insurance, price supports, subsidized loans, and tax breaks.

Using this expanded benchmark, a 1977 study by our group, The Institute for Socioeconomic Studies, identified 182 federal transfer programs with a budgetary cost of $250 billion—69 cents for every revenue dollar. Projecting this ratio to current spending would yield a 1994 welfare budget of more than $850 billion.

That's enough to cash out welfare and give $8,500 in real economic security to every household in the nation. If given without condition of income or eligibility, the benefit could be used to pay for health care or an annuity or to supplement an entry-level job in the private sector.

Leonard M. Greene, President
The Institute for Socioeconomic Studies
White Plains, N.Y.

Fingerprint Recipients Of Aid

Welfare reform could indeed work, but I think we should stop paying recipients who don't belong on the rolls.

The first step would be to require people drawing welfare to reapply each year and affix their fingerprints. It would be no more of a burden for them than it is for taxpayers to file with the IRS year after year. While in the armed services, we were required to put a fingerprint on each request for pay. I am sure this might discourage anyone who might otherwise sign up for programs under more than one name.

That would be a reasonable start.

Marvin E. Richardson, President
Mississippi Time Instruments Co.
Jackson, Miss.

The Wardrobe Solution

While reading about Susan Ison and her efforts to work her way to a better position, it occurred to me that it would be difficult for a woman who had been on welfare to obtain a wardrobe that would be suitable for the office. A possible

solution would be a center where working women could donate office attire.

I hope the idea of a clothing exchange can be publicized and put into service.

Bonnie L. Burkhardt
Events Coordinator
Indiana Manufactured Housing Association, Inc.
Recreation Vehicle Indiana Council
Indianapolis

When Immigrants Become Scapegoats

I read and answered the questions in the August Where I Stand on immigration. This type of survey can help educate the public, but it can also be used as an instrument to make scapegoats of the weakest members of society, who often have neither the skills nor the means to respond. I am the son of Mexican immigrants, and I find the immigrant bashing that is taking place distasteful, dishonest, and racist.

Father Patricio Guillen
Ontario, Calif.

Gross Injustice

Our small temporary-help company in California recently found a job for a woman in an agricultural packing house. Since then, the woman and several other employees have alleged in a lawsuit that we discriminated against her by not putting her in what she terms "man's work." In a review of positions at various packing houses, we found there has traditionally been work that women have always done and work that men have always done. It's sort of like, "Mom cooks, and Dad mows the lawn." Now we find out that this employee of ours is NOT a legal alien. Our attorneys, however, say it doesn't matter because she is protected by federal law and can't be discriminated against. Have we all gone mad? How can an illegal alien who lied on a job application sue a legal California corporation over employment issues when she shouldn't be employed here anyway?

We were told last night that we can't afford to stay in this lawsuit to defend ourselves. Our business will probably have to close its doors.

Rebecca McAninch, Vice President
Jobs Resource Unlimited, Inc.
Porterville, Calif.

A Nation Of Immigrants

The September letters bashing immigration were appalling. What values do the writers of the letters subscribe to? What are they doing in their houses of worship? Sleeping? My grandparents arrived here early in the century. We, the grandchildren, are business owners, doctors, attorneys, teachers, professors, and prolific

LETTERS

taxpayers. When one no longer smells the fear and the sweat, when one thinks helping a fellow human being is a major sacrifice, then one has lost all humanity.
Michael Sleppin
Paradigm Associates CS
East Brunswick, N.J.

A "Zero-Emission" Vehicle? Not Really

The June transportation article, "The Mandate For Alternative Fuels," was an excellent survey, but it should be pointed out that federal and state environmental regulators are incorrect in applying the term "zero-emission" to cars and trucks that operate on electric batteries. An April study prepared for the Chicago-based Gas Research Institute shows that emissions resulting from use of a natural-gas vehicle are comparable to those resulting from use of an electric vehicle when the full cycle of production, distribution, and use of fuel is considered. The study accounted for pollution from power plants, which generate the electricity needed to charge a battery.
Maurice K. Shaw
Senior Vice President
and Corporate Affairs Officer
Brooklyn Union Gas
Brooklyn, N.Y.

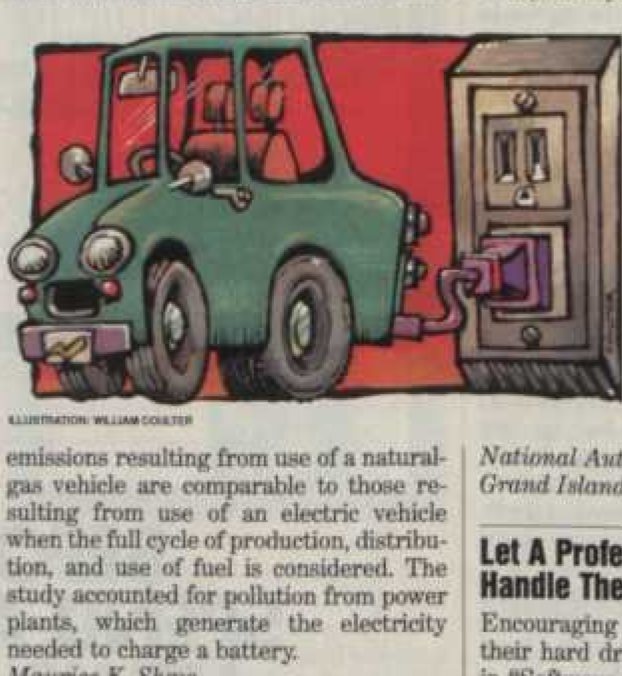

ILLUSTRATION: WILLIAM COULTER

Advice For Parents Of Overdose Victims

I just read "Death By Drugs—And Denial" in the August Family Business case study, and I would like to tell the parents of the man who died of an overdose that you are not alone. As director of a large publicly funded residential drug and alcohol program, I can affirm that a person suffering the disease of chemical dependency can hide an addiction for years before being discovered. You cannot hold yourselves responsible for the actions of another, but you can take the time now to educate yourselves for the future.

I would ask that you consider giving some thought to those who are still in the throes of addiction. With federal, state and local cutbacks, managed care, and cost containment, the money available for drug and alcohol treatment is dwindling.

Please learn more about chemical dependency, talk to your other children about your concerns, and volunteer at a treatment center to help others.
Suzanne C. Mack
Executive Director
Crossroads Hall
Erie, Pa.

Article Was Free Of Sexism

I encountered no sexism in a July article titled "No Longer For Men Only," contrary to what Ronald W. Neeley wrote in his September letter. I thought the article offered good advice not only to women but to anyone trying to get into business. And I certainly could not find it mentioned or even insinuated that "all men are insensitive clods."

Mr. Neeley needs to take a look at himself and *his* attitudes and stop throwing the word "sexism" around. Put it where it belongs, as a problem that pertains not exclusively to men or to women but to society as a whole.
Deb Larson
Vice President
National Auto Parts, Inc.
Grand Island, Neb.

Let A Professional Handle The Job

Encouraging your readers to optimize their hard drives periodically, as you did in "Software For Hard Drives" [July], is good advice. But encouraging a novice to do low-level formatting on an IDE or SCSI hard drive is an invitation to disaster. This kind of service is best left to professionals and should be required only if diagnostics reveal a problem.
Val Mehling
Valco Systems
Canoga Park, Calif.

[Editor's Note: The advice was meant for owners of older hard drives. The article should have said that owners of newer hard drives, such as IDE or SCSI, would do well to rely on the services of a professional.]

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000, and include your phone number. You may fax your letter to (202) 887-3437. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.*

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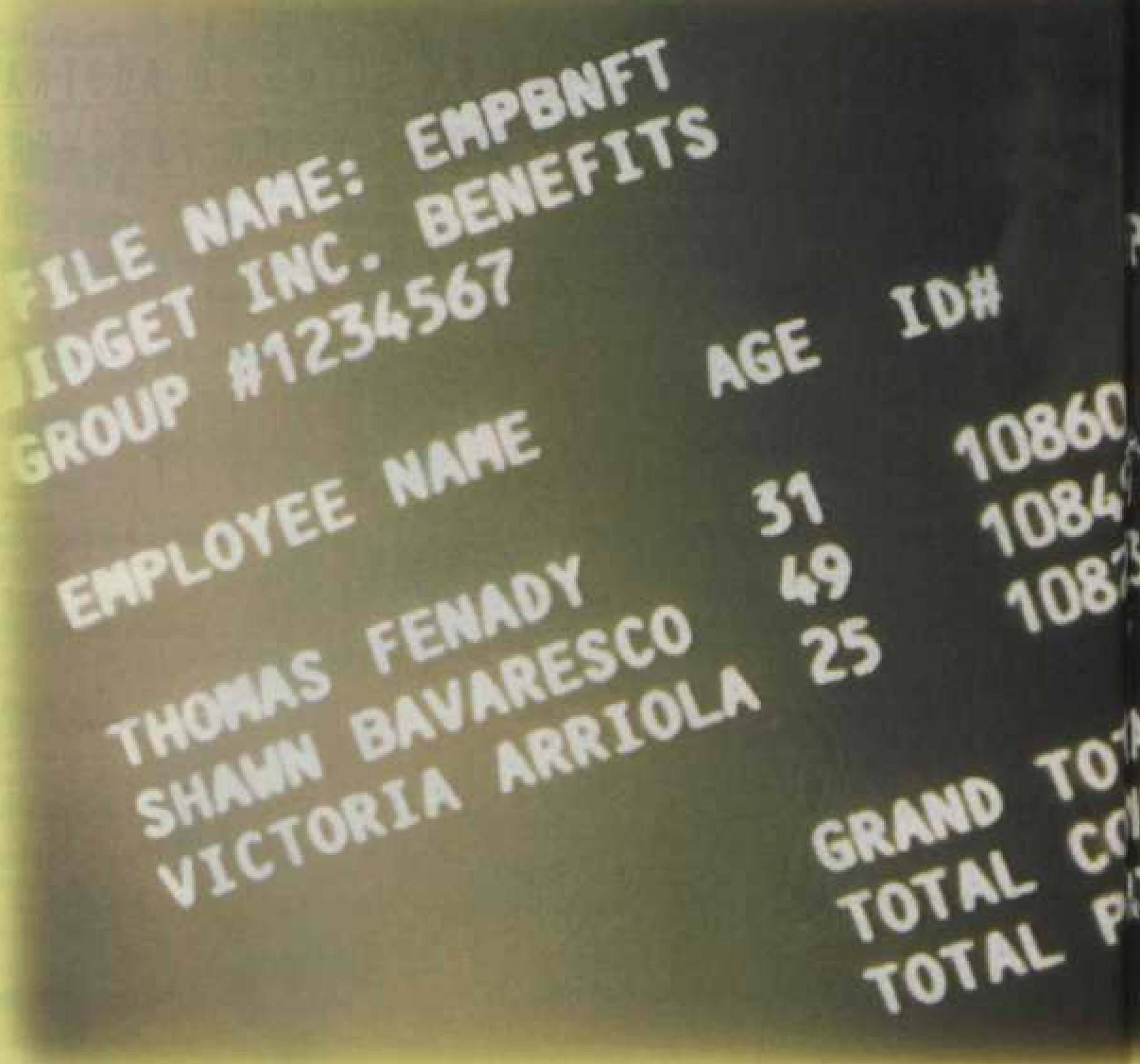

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PFC-MNI

Entrepreneur's Notebook

By Lois Jackman

How We Cater To Individuals

The first time I went to buy a wheelchair, the salesman brought one out and told me the price. I paid—in more ways than one. What I took home I couldn't use. It was too heavy and cumbersome. If the salesman had treated me as an individual with special needs instead of as a condition, I might have been a satisfied customer. Instead, I felt victimized.

As I found out, encounters like that were not uncommon. The polio I had contracted as a teenager hadn't slowed me down much as a young adult, but in time my legs weakened, making a wheelchair necessary. However unsettling the experience of buying a wheelchair was, it would become invaluable when I started my own health-equipment store.

PHOTO: ©PATRICIA LANZA

The products *sold at Lois Jackman's California store help people with disabilities in everyday living.*

Such stores—at least when I started going to them in the 1970s—were depressing, horrible places filled with things people would rather not know about, like specially designed commodes, leg braces, and respiratory equipment. There was never an attempt to make the environment positive, and I am sure other people spent a lot more for goods even less useful than my first wheelchair.

Having never seen a medical-specialty store with a sales staff who viewed people as individuals, I knew there was a niche to be filled.

Years later, I moved to the Palm Springs, Calif., area, where retired people live comfortably, yet I noticed that they had trouble finding the items they needed to cope with aging.

My husband, Bob, had substantial business experience as a CEO in the toy industry, and in late 1991, we started Yes I Can in Cathedral City, near Palm Springs. The idea was to dedicate a store to the functions of daily living so people with disabilities could regain a higher level of independence.

The business was developed from scratch; we had to search for and find the more than 800 items that now fill a 1,900-square-foot showroom.

The people who shop at Yes I Can aren't victims. They aren't classified as "hip replacements" or "muscular dystrophy sufferers." The store is, essentially, a series of homelike rooms that show how various products can help a person with everyday living. Although we like to hire people with disabilities, having a disability is not a prerequisite to working at the store; caring for individuals is.

We don't have a catalog business, but we do take orders over the phone from customers across the country who have visited our store. And we are proud of a wall of photos of people who have left happy. This highlights a basic principle of retailing, regardless of the business or the perceived clientele: Give people an atmosphere in which they are comfortable and want to do business, and they will return.

It's a lesson a lot of businesses need to learn when it comes to all minorities. Yes, companies have been affected by the Americans with Disabilities Act, but that law requires accessibility, not attitude adjustment. Many people still translate "senior citizen" into "second-class citizen." People with disabilities suffer indignities all the time, far beyond the inconsiderate motorist who takes a handicapped parking space.

But America is aging, and people who are healthy today will find themselves infirm in the future. The unenlightened who have looked down on the handicapped are learning that their once-healthy neighbors and friends, in one way or another, are disabled. For the business community, this situation presents a tremendous challenge and opportunity.

If a company can improve its service to the point where all customers feel they receive equal, high-quality attention, the business will ensure a steady stream of patrons and enhance its long-term prospects. Businesses that give customers individual service will draw repeat customers, no matter how the demographics of a market change.

Yes I Can is proof of that. The store's sales volume doubled in its second year and is expected to rise an additional 50 percent this year. It has gone beyond what Bob and I felt was the local market's saturation point.

But there is something more to this business, something that the guy who sold me that first wheelchair never knew. Business isn't just about bottom-line success, it's about helping people. NB

Lois Jackman is founder of Yes I Can, a Cathedral City, Calif., medical-specialty retailer. She prepared this account with Nation's Business *Contributing Editor Charles A. Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

What I Learned

A company shouldn't expect to thrive on product alone. A commitment to customer comfort is a key ingredient as well.

Dateline: Washington

Business news in brief from the nation's capital.

LEGISLATION

Congress Moves Closer To Complying With 10 Laws

Is the Senate ready to bow to public pressure and begin abiding by the employment laws it imposes on the private sector?

The House recently passed legislation to require Congress to comply with 10 statutes from which it is currently exempt, including the Occupational Safety and Health Act, the Fair Labor Standards Act, the Family and Medical Leave Act, the Age Discrimination in Employment Act, and the Civil Rights Act of 1964.

The proposal was approved overwhelmingly—427 to 4. The measure would establish a congressional agency to enforce the 10 laws in offices and other facilities that are under congressional jurisdiction.

Congress should abide *by laws it passes for the nation, says Rep. Dick Swett, D-N.H.*

"What's good for the country is good for Congress," says Rep. Dick Swett, D-N.H. He and Rep. Christopher Shays, R-Conn., sponsored the Congressional Accountability Act.

A similar measure is pending before the Senate Governmental Affairs Committee. With Congress expected to adjourn in early October and with some senators complaining about the cost of complying with the 10 laws covered by the bill, the odds are against Senate approval of the legislation this year. But given strong public support for the measure, as shown in recent polls by *Nation's Business* and others, and with elections drawing near, no one is ruling out 11th-hour consideration.

"The Senate must be persuaded to act before the end of the session," says Swett. "Congressman Shays and I will be doing all we can to capitalize on the momentum generated [by House passage] to convince the Senate to move."

The Swett-Shays proposal was part of a package of congressional reforms developed in 1993 by a House-Senate committee.

—David Warner

TAXES

IRS Gets Tough On Payroll-Tax Deposits

The Internal Revenue Service is cracking down on violations of its regulations governing employer payment of taxes withheld from workers' pay.

The new enforcement program, launched in June, focuses on business taxpayers with unpaid liabilities of at least $10,000 in payroll and other withholding taxes who have been delinquent for at least three calendar quarters.

IRS collection personnel are instructed to take "immediate forceful actions." That means the Internal Revenue Service will file a notice of lien unless the taxpayer is actively seeking financing to resolve the liability. If additional payroll tax deficiencies occur, the IRS can move to seize the taxpayer's assets.

Some companies, particularly smaller ones, have difficulty complying with the payroll-deposit rules because the rules can be difficult to understand, says James Medlock, director of training and development for the American Payroll Association, in San Antonio.

Medlock says that the IRS is attempting to make the rules easier to comprehend at the same time it is carrying out its crackdown in order to encourage greater compliance.

—Joan C. Szabo

ENVIRONMENT

Babbitt Moving Swiftly With Biological Survey

The National Biological Survey, the cornerstone of U.S. Interior Department efforts to take an ecosystem-by-ecosystem approach to species protection, has been in existence for less than a year. But it has already grown into a large operation.

Employees of the survey—who count plants, animals, and insects to identify ecosystems in decline—now number 1,950. The survey has four "ecoregional" offices, 13 science centers, and more than 100 field stations, among other resources.

Most of the initial research of the survey, first funded in this year's budget, has been on public lands, but the site inspections have now expanded to private land. In July, International Paper Co. of Purchase, N.Y., agreed to Interior Department surveys of land the company owns in Baldwin County, Ala.

Referring to the agreement with International Paper, Interior Secretary Bruce Babbitt said: "This is a major step toward building partnerships between the National Biological Survey and private landowners that will open gates to information essential to good business and government."

The program is designed to find flexible ways to protect declining species long before the Endangered Species Act, which imposes land-use restrictions, would apply.

Nonetheless, some small-business owners have expressed concern that the survey could lead to conflicts similar to the spotted-owl controversy in the Pacific Northwest.

In addition, some businesses worry that they may not have the right to choose whether surveys take place on their land. But Babbitt said recently that an Interior Department directive requires a landowner's written consent to surveys. "It's as simple as that," he said.

Nevertheless, the program has remained controversial on Capitol Hill, where some conservative lawmakers say the program might later take a more aggressive approach, such as asserting the right to enter property without landowner consent.

Recently the program narrowly escaped a cutoff of its funding for next year by Congress.

—Laura M. Litvan

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Managing Your Small Business

Gauging consumer reaction; keeping customers' payments on schedule; screening job applicants.

By Roberta Maynard

MARKETING

The Truest Test Is In The Tasting

You may be certain you have a great product, but how can you be sure consumers will think so too? That's the question Marc Savage faced after discovering a unique homemade dessert treat in a small coffee shop in Boca Raton, Fla., three years ago.

Savage wanted to market the BrowniePop, provided that the initial testing was favorable. He talked about his idea with Barry Ehrenberg, the creator of the snack who owned the coffee shop and later became an executive in Savage's new company.

Savage's first step was to take the product—a triangular, chocolate-covered brownie on a stick—along with rudimentary graphics and packaging to a major convenience-store trade show. There he offered samples and got encouraging responses, including an order for 3,200 dozen from Southland Corp. for its 7-Eleven stores.

"What we were looking for was an indication of the reaction to the product," says Savage, the president of BrowniePop, Inc., headquartered in New York. "We chose the convenience stores first because that's the most forgiving class of trade—you can still succeed there even if you have the wrong price and the wrong package, which we did."

In one year, Savage attended 18 shows while continuing to fine-tune BrowniePop's price, size, and packaging based on reactions at trade shows. He hired a national sales manager and a marketing manager, and he lined up financing. In 18 months, he raised $3 million on Wall Street. He had brought securities brokers samples of the product, and they were intrigued.

Now, BrowniePop, with a U.S. patent pending, is available in drugstores, supermarkets, and other retail outlets. An offshoot candy, BrowniePoppers, is moving into vending machines. At the company's current rate of growth, Savage expects to have revenues of $10 million by year's end.

"The message here is clearly: Don't trust your friends and relatives to tell you your product is great," Savage says. "Get the real answers to whether or not you have something that the market will welcome and pay for. Take your product to store buyers to gauge the reaction. If you go to 10 buyers and they all yawn, that tells you something. If they move to the edge of their seat, that tells you something, too." ■

PHOTO: [illegible]

BrowniePop, Inc. *executives enjoying their work are Marc Savage, center, president; Alan Saperstein, left, operations vice president (and Savage's son); and Barry Ehrenberg, manufacturing vice president (and developer of the brownie on a stick).*

CASH FLOW

Tips On Billing Your Customers

Your billing practices could cause customers to pay more slowly. Les Kirschbaum, president of Mid-Continent Agencies, Inc., a national collection agency based in Rolling Meadows, Ill., suggests these tips to keep payments on schedule:

- Don't wait until after a shipment is sent to mail the invoice.
- Develop a sound credit policy, and make sure customers get a copy.
- Use a detailed credit application that provides you with the credit standing of your customers.
- Develop a credit file, and continuously monitor your customers' payment patterns.
- Establish an individual credit limit for each new customer.
- Notify new customers of your terms immediately after you receive their first orders.
- Focus on in-house collection efforts 31 to 60 days after an order is placed—the critical time when cash flow maintains momentum or breaks down.
- Follow up quickly, even when payment is only a day or two past due.

Effective, consistent use of billing statements, follow-up letters, and phone calls will show that your firm takes its accounts receivable seriously. ■

COMMUNICATION

How You Can Be More Persuasive

Could you be more successful at persuading customers, suppliers, bankers, and employees to accept your point of view? Following are some tips for improving your chances of gaining acceptance for a new idea, proposal, or policy. These suggestions are offered by Dianna Booher, president of Booher Consultants, in Dallas and Houston. Booher provides communication training for many of the country's largest companies and is author of a new book, *Communicate With Confidence!* (McGraw-Hill).

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want to be known as logical thinkers, they are often swayed as much by emotion as by logic, Booher says. Decide which emotional approach to use depending on the task you want accomplished and the person you want to persuade:

■ To those who think in terms of payoffs, talk about rewards and incentives. Highlight the personal and corporate benefits of acting on your ideas.

■ To those who think analytically, talk about facts and statistics. Even if they are persuaded by emotion, they'll ask for supporting evidence.

■ To those who like to jump on the bandwagon, use such phrases as "The trends show . . ." and "Experts in the field seem to think . . . ." These people will also respond to testimonials of what others think of your ideas.

■ To those who welcome challenge and change, talk about obstacles to be overcome.

Build your case in detail, as you would to sell a product or service: Create or confirm a need; show how your idea or plan would meet that need; elaborate on the benefits; and discuss the specifics of how your idea would be implemented. Provide a better and a best option. That way, if your decision maker doesn't go for your first choice, the entire plan or idea won't necessarily be lost.

Finally, don't be distracted from your goals, even if people are not gracious to you in your attempts to persuade them. If someone makes a counterclaim, ask for the person's reasoning in a nonchallenging way, so you can address those specific points. Says Booher: "As best you can, dodge any personal attacks, negative statements, or performance deflators. If your goal is acceptance of an idea or proposal, then try to put ego aside." ■

NB TIPS

Topics On Trade

Business owners interested in trade issues may want to attend the World Summit on Trade Efficiency, sponsored by the United Nations. The event, which will be held Oct. 17-21 in Columbus, Ohio, includes a trade show and mayors' conference on how to encourage small and midsize businesses to trade internationally. Other topics: banking, insurance, transport, telecommunications. For more information, call (614) 895-1355.

Finding A Consultant

The Institute of Management Consultants, in New York City, offers a free referral service for companies in search of a professional consultant. Firms may select from among 1,600 consultants by specialty, industry, and location. All have passed extensive professional reference checks. To receive a list of names, call the institute at (212) 455-8233. ■

HIRING

Focusing On A Prospect's Personality Traits

Most people are hired for their ability to do the job. While skills are important, however, companies should also focus on a candidate's character and chemistry to gauge whether he or she *will* do the job and how well the person is likely to hold up under stress, says Dr. S. Anthony Baron, CEO of the Scripps Center for Quality Management, Inc., in San Diego.

To ferret out potentially violent individuals, supervisors should try to find out, in pre-employment interviews, about the person's work relationships, views on authority, and reasons for leaving past jobs. The way you approach these topics can bring out the information you need, Baron says.

For example, he says, don't begin with the common invitation of "Tell me about yourself." Instead, ask questions about people in the candidate's past workplaces. Ask whom they enjoyed working with and whom they didn't—and why. Ask specifically about supervisors, and get their names. Watch for patterns in the way the person views others, particularly those in authority.

To get a sense of the person's work ethic and priorities, present work scenarios for which there are no clear answers but potentially conflicting issues that require judgment. Ask the candidate how he or she would resolve those conflicts. The answers should reveal attitudes about personal gain, work deadlines, loyalty to the boss, and co-workers' privacy.

When checking references, try to talk with former supervisors in addition to human-resources personnel. Ask about strengths and weaknesses, attendance problems, and uneven work patterns.

Check the person's work history. Many who commit workplace violence have employment gaps and short job tenure.

Ask the applicant for past performance reviews.

Finally, trust your gut feelings, Baron says. "If you feel uneasy about the person, do some more checking, or find someone you do feel good about," he says. If you find that you're overly charmed by the person, your antenna should go up. People can cover violent tendencies with charming personalities.

"Proper interviewing skills will really do the job," he says. "Interviewers should be cordial and friendly. If they can get the individual to relax, the answers will be better and more honest." NB


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Making It

Growing businesses share their experiences in creating and marketing new products and services.

Prairie Dogs, Pottery, And More

By Michael Barrier

Charles H. "Darby" McQuade has a definite philosophy about retailing, one evident soon after you enter his Santa Fe, N.M., complex called Jackalope.

If you haven't picked up on it by the time you see the prairie dog village, surely you will before you stumble across the petting zoo. "I see retailing as entertainment," McQuade says.

But "entertainment" embraces more than such things as the animals, or the stage where he presents free live music on weekends. "I see entertainment in the way things are displayed," he says. "I think it's important to have a lot of variety in a lot of places. I've always seen the whole store as kind of like a stage production." The store's managers are linked by two-way radio, and McQuade compares his 50 employees to the behind-the-scenes crew at a rock concert.

In such a show-bizzy atmosphere, the merchandise itself might seem almost superfluous, but in fact it is central to McQuade's conception. Jackalope—the name comes from a mythical Western beast, a jack rabbit with antelope horns—bills itself as "folk art by the truckload," and McQuade's real model is not so much a stage production as it is the colorful Mexican markets, or *mercados*.

Jackalope's buildings and grounds bulge with pottery and other handmade goods—furniture, rugs, tinware, baskets, clothing, jewelry—including many items McQuade has purchased from native craftspeople during his buying trips to Latin America, Africa, and Asia.

He usually has more than 50 vendors on the 6½-acre complex, and some of them are craftspeople like Evaristo Medina, a Peruvian who carves delicate images on gourds. Jackalope is host to 10 to 15 such craftspeople from other countries for about eight months of the year, from May to Christmas; "they get 75 percent of their sales, and we get 25 percent," McQuade says.

Vendors of all kinds—most of them have been suppliers to Jackalope or are former employees—now occupy about 40 percent of Jackalope's floor space, McQuade estimates. Jackalope and the vendors will have total sales of around $7 million in 1994, he says.

McQuade, who turns 52 in October, is in some ways the unlikely proprietor of a retailing phenomenon. A native of West Virginia, he started his working life as an investment banker on Wall Street, only to drop out and become a classic specimen of the counterculture of the '60s. But even as a hippie, he did not lose what he describes as a strong entrepreneurial streak. "The things I did as a kid—selling fishing worms by the highway, selling newspapers—that was really me," he says.

He got into business by opening a candle store in El Paso, Texas. After he sold it, he used $4,000 of his profits to buy pottery in Mexico, and in 1976 he began selling pots on the street in Santa Fe. Two weeks later, McQuade rented space in a greenhouse on Cerrillos Road, southwest of Santa Fe's historic plaza. In 1982, he bought the greenhouse

"Folk art by the truckload" *is retailer Charles McQuade's term for Jackalope, his Mexican-style market complex in Santa Fe, N.M.*

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and land around it. Last year, Jackalope opened two new buildings, raising its retail square footage to around 25,000.

In 1988, McQuade took a year off from Jackalope and lived in Mexico (although he came back for one week each month). "It was risky," he says. "But I was really approaching burnout. When I left, I was saying, 'Is this what I want to do with the rest of my life?' I decided it was."

Because he had to delegate so much while he was gone, McQuade says, delegating "became easier for me" when he returned to Jackalope. Then, in 1991, he hired a management consultant to help him convert his burgeoning sales into more than what McQuade calls "a little bit of profit." The consultant brought Jackalope's managers together, McQuade says, to "figure out what the goals were. I assumed that people understood what the vision was, when in fact they didn't."

As part of the process, McQuade asked himself: "What is it, Darby, that you want?" He concluded that, in the words of his company's mission statement, he wanted to make Jackalope "the major center in the Southwest for ethnic merchandise and multicultural activity."

This year, Jackalope was named a state honoree in the Blue Chip Enterprise Initiative program, sponsored by the Connecticut Mutual Life Insurance Co., the U.S. Chamber of Commerce, and *Nation's Business*.

By conceiving of Jackalope in the ambitious terms that he does, McQuade bridges the gap between his counterculture past and his business career. Although he thinks of Jackalope as entertainment, he says, he also sees it as more than that: "I see it as a creative work." ■

Cashing In On Collectibles

By J. Tol Broome Jr.

For Peter Hexter, ideas for new products can come in strange places and at odd times.

On a business trip to Wisconsin several years ago, for instance, Hexter spotted an old tobacco advertisement, a big tin sign, on the side of a building. "Right there," he recalls, "I knew there was a major marketing potential if I could find the right product line."

That prompted the 48-year-old former teacher and coach, whose company was already a major manufacturer of collectible steins, to develop a line of metal collectibles, such as tin containers and signs and metallic trading cards, for gift and collectible shops and direct mail.

For Hexter's company, CUI, Inc., of Wilmington, N.C., the move into metal products has paid off. Their sales have helped CUI grow 25 percent to 30 percent annually in recent years. Hexter, president and CEO, won't reveal sales figures but says, "I always thought a big company was $10 million, but we sailed by that milestone and never looked back."

Hexter's move into metal began with tin containers, such as the ones he makes for the Hershey Foods Corp.; a football-shaped container, for example, will hold football-shaped chocolates wrapped to look like footballs.

Then came metallic trading cards, which put CUI in a booming industry, according to Kit Kiefer of Professional Hobby Consultants, Inc., in New London, Wis., whose clients are trading-card manufacturers. Since 1988, the industry has grown from $330 million in annual retail sales to $1.5 billion, Kiefer says.

Already, CUI has produced limited-edition "metal trading cards," with patented-process tin edges and backing, featuring a number of entertainment and sports figures. It is planning even more in the months to come, using licenses Hexter obtained for the steins over the years from professional sports.

Trading-card sets marketed by CUI since 1992 have focused on Elvis Presley, football legends such as Johnny Unitas and Y.A. Tittle, baseball icons like Willie Mays and Hank Aaron, and action shots from the "Star Wars" movies. In the works are sets featuring basketball great Michael Jordan, Orlando Magic star Shaquille O'Neal, and New York Yankees slugger Mickey Mantle. The first in a series of tin signs is just out, too, featuring well-known football players like Tittle, Gale Sayers, Ray Nitschke, and Dick Butkus. Each tin has a picture of the player, a narrative, and statistics. Depictions of more sports figures are planned.

Collectibles maker *Peter Hexter sees himself as head coach of his Wilmington, N.C., firm.*

The interest in sports is a long-standing one for the 48-year-old Hexter. After growing up in Hopewell, N.J., he graduated from Ohio Northern University with a bachelor's degree in economics in 1969, and he became a teacher and football and wrestling coach in Norwood, Mass.

But in 1981, he was lured back to Hopewell and a job in his family's business, which manufactured ceramic bathroom accessories. A year or so later, his father helped him start Concepts Unlimited, Inc., in nearby Pennington, N.J., to market beer and coffee insignia mugs to colleges.

The start-up generated $200,000 in sales the first year, but lost $100,000. In 1983, however, Hexter's fledgling company obtained a license to manufacture beer steins for Miller Brewing Co.—increasing CUI's revenues in one year to $2.5 million from $250,000.

In the late 1980s, CUI began to accumulate more than 30 licenses from professional football, baseball, and hockey leagues and the Coors Brewing Co. to produce collectible steins. Today, CUI claims to be the country's largest producer of the steins.

Of CUI's four divisions—premium and ad specialties, wholesale, retail, and direct marketing—the fastest growing is direct marketing, which has increased 40 percent annually in recent years. CUI, now the company's legal name, has 75 full-time and up to 35 part-time employees. From its 45,000-square-foot facility, CUI can produce and ship up to 10,000 items a day.

"I try to run the company like I coached," Hexter explains. "We've got talent in operations and accounting, which is the defensive side, and we've got talent in marketing and sales, which is the offensive side." ■

J. Tol Broome Jr. is a vice president at FirstSouth Bank in Burlington, N.C.

Catering To Women Readers

By Sharon Nelton

In the hardball world of big-time newspaper syndication, where names like King Features, Universal Press Syndicate, and United Media prevail, a four-year-old upstart that targets "pink-collar" women is coming along nicely, thank you.

Aptly named, Sisters Syndicate was launched in suburban Chicago by sisters Christine Negroni, a former CBS News correspondent then living in Evanston, Ill., and Andrea Lee Negroni, a Washington, D.C., attorney. Their first offering was "Dress for Less," a picture-and-text feature that shows readers how to create designer outfit look-alikes with smart-looking cheaper versions from catalogs and lower-cost retailers.

It was this populist approach that set Sisters Syndicate apart from others. "We deal with your basic woman, not your lady doctor and not your lady lawyer," Christine says. "Our stuff's much more working-class."

And the timing for their venture, it turned out, was just right. "The recession was really big then," says Christine, who is president of Sisters and runs it day to day from its present location in Old Greenwich, Conn.

"Dress for Less" is itself a knockoff, inspired by a similar fashion feature in the *Chicago Sun-Times*. Christine recalls that when Andrea Lee once visited her in Chicago, she saw the feature and said, " 'This is a great idea! I can do this.' Because my sister's a very big shopper." At the time, Christine, who had just had her second baby, was on maternity leave and trying to figure out a way not to return to CBS News. Even with one child, "it was hard to do all that traveling," says Christine, who is expecting her fourth baby in November.

Instead of Andrea Lee writing the column, however, the sisters persuaded Candy Barrie, a former personal fashion consultant, to be the creator. "Dress for Less," still Sisters' biggest success, is carried in more than 40 newspapers.

It has since been joined by five other features: "Pregnancy Q&A," a question-and-answer column by two physicians; "Handyma'am," a do-it-yourself column by Beverly DeJulio, who also appears on the Discovery Channel; "Family Man," family life from a man's point of view; "Child Life," in which readers offer advice about child rearing; and the just-launched "Hot Pink," a woman-oriented cartoon series by Anne Gibbons. In one of the cartoons, one woman says to another: "I'd like to find a man who's sensitive in general and macho in emergencies."

Some products have not worked. An effort to market a handsome text-and-photo feature on food did not succeed because it was pricey and competed with photos and food information that editors could obtain free from food companies.

Sisters now has nearly 80 U.S. and Canadian newspaper clients. They pay from $25 to $85 a week for a text-and-photo feature, depending largely on their circulation and the amount of exclusivity they demand. Marketing is done via mail, with follow-up telephone calls from Christine.

PHOTO: ©MELANIE EVE BAROCAS

Bringing women readers *back to newspapers is the aim of Andrea Lee Negroni, left, and Christine Negroni, founders of Sisters Syndicate, in Old Greenwich, Conn.*

Sisters' creators are signed to five-year contracts. Typically, after expenses, they receive 33 percent to 50 percent of the income.

Steve Sonsky, executive features editor of *The Miami Herald*, says "Dress for Less" provides his paper with a "no-fuss, no-muss way for us to do a little bit of consumerist fashion coverage."

Compared with its rivals, he says, Sisters is "probably a little quicker on their feet because they're smaller." But he notes that it's a tough time for any syndicate to be launching new features.

Sisters, however, is making a profit and is nearing the $200,000 mark in annual revenues. Christine and Andrea Lee began taking paychecks last year, and they have recouped the $60,000 they invested in Sisters from their own savings.

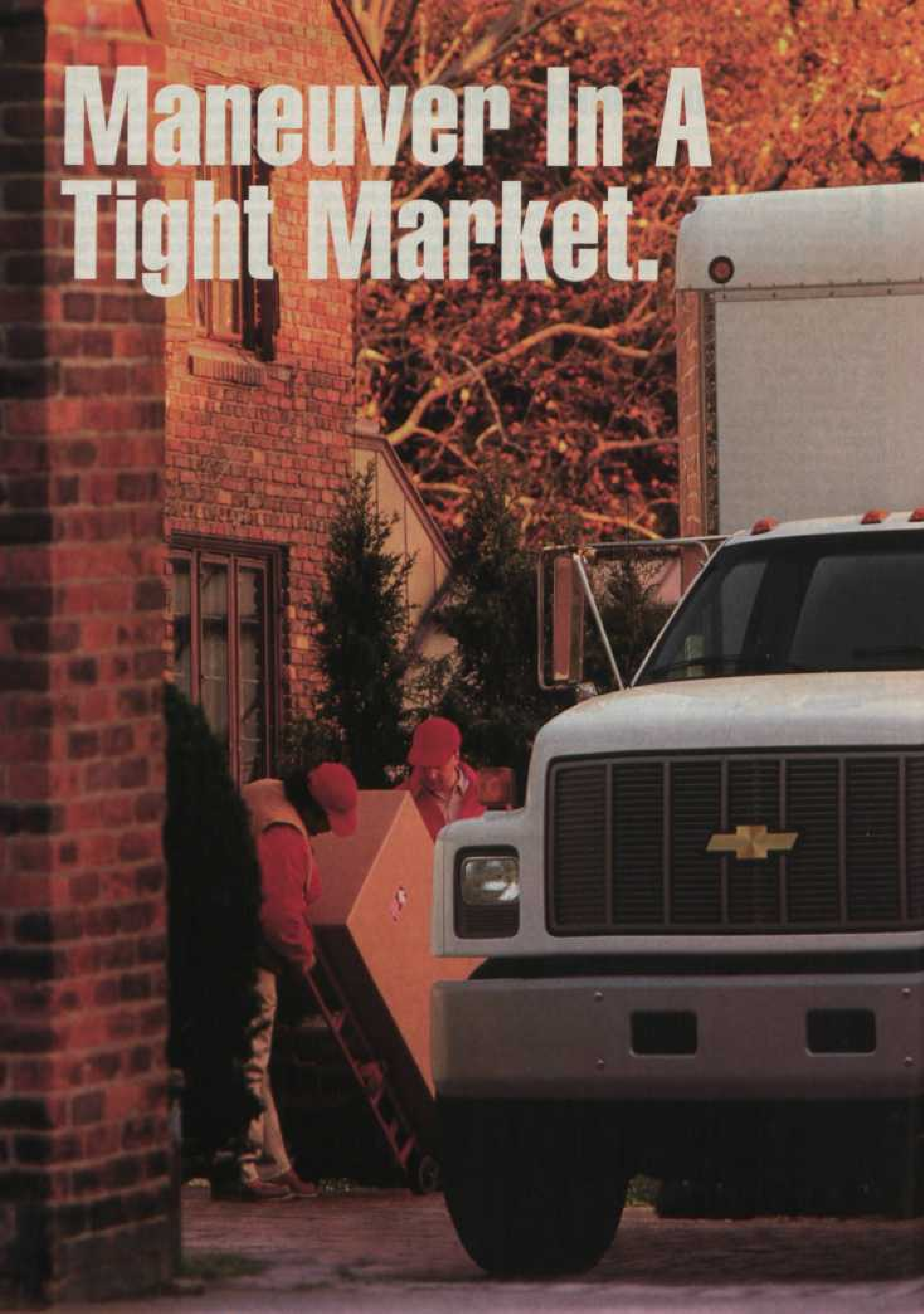
When Christine, 38, moved the operation east last fall to accommodate her husband's job change, Sisters' office was finally moved out of the home and into rented space. Christine has since hired two part-time workers. Andrea Lee, 41, who is Sisters' vice president and oversees its finances and contracts, has remained in Washington, where she is managing partner of Payne Negroni & Winston, a law firm specializing in financial institutions and mortgage banking.

Sisters' major goal now, says Andrea Lee, is to become "pre-eminent" as "an offerer of women-oriented lifestyle material."

When women's sections disappeared from newspapers, many "pink-collar" readers, or nonprofessional working women, abandoned them. "They didn't see their lives in the paper," Christine says.

To make her point, she leafs through *Editor & Publisher* magazine's Directory of Syndicated Services, stabbing a pointed finger at some of the pages as she notes how this syndicate or that advertises a preponderance of white, male columnists. "There are some guys in here who've been around forever," she says, calling them "yesterday's news." To be sure that no one ever says that about Sisters, she says, the company is aiming to stay on top of what's happening and to move forward constantly.

Hurting from the loss of women readers, newspapers are beginning to add back women's sections and to look for sources of material aimed at women. "The first thing they think of is Sisters," says Christine. "They know us. They know our name." NB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COVER STORY

The Changing World Of Financial Services

By Joan C. Szabo

PHOTO: [illegible]

Bookstore owner *Debbie White, right, and employee Mary Meyer demonstrate the use of a debit card, which transfers funds from the customer's bank account to the store's.*

The pace of change in the nation's financial-services industry, a behemoth with five million employees and $16 *trillion* in assets, is accelerating under the combined pressures of demographics, technology, and consumer expectations.

These changes are directly affecting the way that small-business people run their enterprises and manage their business and personal finances.

Small businesses are, for example, working with banks to develop high-tech point-of-sale systems, turning to securities firms for financial-management advice, and asking insurance companies to develop pension plans suited to the realities of the '90s—largely in response to the new flexibility in financial services.

Those and the many other industry offerings reflect the intensified competition within and between segments of the financial industry as it moves toward the 21st century.

The role of demographics in this evolution is particularly important because of the presence of that vast group born between 1946 and 1964—the baby boomers. More than 75 million strong, they grew up in generally prosperous times and have had a major impact on the economy at each stage of their lives.

For instance, housing values throughout the country soared in the 1970s and 1980s as baby boomers married and started families. Now, the first members of their generation are nearing 50 (see the chart on the next page), and financial planning is becoming more important to them.

A report by James Chessen and Gail Bolcar of the American Bankers Association (ABA), in Washington, D.C., describes the older baby boomers this way: "They are entering their peak earning years. Retirement planning, money man-

Small firms are adjusting the ways they conduct business in response to intensified competition in the financial-services industry.

agement, and financial advice will take on added importance. Large intergeneration transfers of funds [from parents to baby boomers] will begin to take place over the next few years, which will augment this trend."

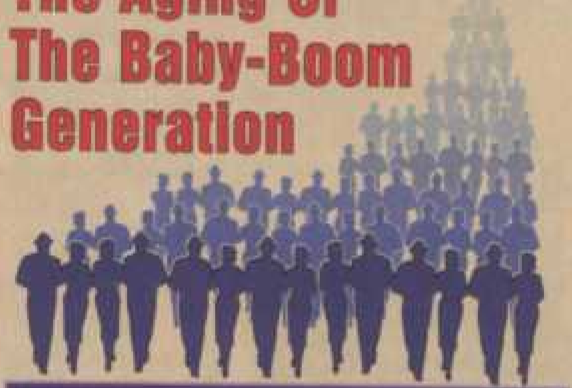
Many individuals both younger and older than the 1946-64 generation are, of course, equally concerned about financial planning, particularly in view of the trend toward giving employees, rather than employers, the principal role in determining how retirement funds are invested—in Individual Retirement Accounts and other tax-sheltered pension plans, for example.

Increasingly, that determination involves computer technology, as more and more Americans enter their working years capable of using computers for financial research.

And the impact of technology is by no means limited to research. It is also making possible financial arrangements that involve small-business people in a variety of ways.

Here are just a few examples of the changes that are taking place in the way financial matters are handled by businesses:

The Aging Of The Baby-Boom Generation



YEAR	AGE	POPULATION (In Thousands)
1995	31-49	77,007
2015	51-69	72,109
2025	61-79	64,178

SOURCE: POPULATION PROJECTIONS OF U.S. BY AGE, SEX, RACE, AND HISPANIC ORIGIN: 1993 TO 2050, U.S. DEPARTMENT OF COMMERCE, BUREAU OF THE CENSUS, ISSUED NOVEMBER 1993

CHART: MICHAEL ROOK

■ Customers of a growing number of retail establishments, such as White's of Florida bookstores, can now use an automatic-teller-machine (ATM) card as a debit card that deducts the cost of purchases from the buyer's checking account and moves that amount to a store account.

■ KeyCorp, a 13-state bank holding company based in Cleveland, has established a Small Business Resource Center that provides around-the-clock services that include fund transfers, analysis of accounts, and information on other bank products available to smaller firms.

■ American Express Corp. is developing services tailored to demographic groups ranging from students to the elderly, and the company plans to introduce a card that could be used in any of three ways; it would be a combined charge, revolving-credit, and debit card, with the user determining the desired function for a given purchase.

■ About half of the 80,000 members of the Association of Individual Investors, in Chicago, are now using personal computers for investment analysis, portfolio management, and on-line stock trading.

■ Merrill Lynch offers a Working Capital Management account to enable businesses to merge into a single account such services as checking, investment, funds transfer, and borrowing.

■ Private pension plans now represent 46 percent of insurance companies' assets. Individual holdings in mutual funds exceed total deposits in bank savings accounts.

■ A consortium of banks and technology companies is working on a stored-value card for smaller transactions that usually don't involve credit or debit cards, such as vending machines and highway tolls.

Those and the many other technological advances appearing on the business scene reflect in varying degrees a historic trend that provides the background for the changing world of financial services—the movement away from the strong governmental controls put in place to deal with the chaotic economic conditions of the 1930s Depression.

Much of the pre-crash financial activity had maximized risk and minimized security, policymakers of that era believed, and they set up a regulatory structure to do just the opposite. Separation of the banking, securities, and insurance industries was a key element in that policy.

Banking consultant Alan Gart's book, *Reregulation, Deregulation, Reregulation* (John Wiley & Sons), describes the resulting arrangement this way:

"Insurance was sold directly by the insurers or through independent agents and brokers. ... Brokers and dealers marketed stocks, bonds, and mutual funds. Savings banks and savings and loan associations restricted most of their investment activities to real-estate-secured loans, primarily residential mortgages. Commercial banks offered a slightly more varied menu of services, concentrating on short-term business lending, but even

they did not often stray across the line into the brokerage or insurance business, much less that of underwriting stocks."

The basic structure endured as the Depression gave way to the expansion of World War II and the following decades. The rapid economic expansion and low inflation that continued into the 1960s, Gart says, enabled each of the segmented industries to maintain acceptable growth and profit margins and provided little incentive for territorial challenges. But, he adds, "the cauldron that is the American economy never stops boiling."

PHOTO: SHAWN SPENCE

An in-store service *at Cub Foods, in Indianapolis, is a branch of the National Bank of Detroit. Cashier Kim Thomas rings up a customer's order.*

Basically, a financial structure grounded in the 1930s, when the population was 130 million and the gross domestic product was $609 billion, inevitably proved inadequate to a country with a population of 260 million and a GDP of $5.2 trillion (both GDP figures are in 1987 dollars) and a highly complex economy light years removed from that of the 1930s.

Most American adults today want to make their own choices between security and risk, to have access to the information needed to make those choices, to obtain financial services at times and places convenient to them, and to make full use of the technology that enables them to achieve all those goals.

In their report in the *Durrell Journal of Money and Banking*, Chessen, the American Bankers Association's chief economist, and Bolcar, a senior analyst, say:

"Today's financial consumers are better educated than any previous generation. They are not intimidated by high-tech delivery systems—in fact, many prefer them. Because some 80 to 85 percent of U.S. households are either headed by a single individual or have both adults working, they place a great premium on efficiency and convenience."

That convenience, they note, "has taken on a whole new meaning—rather than bricks and mortar, telephones and computer networks are how convenience is measured today."

In contrast to the sharp financial-sector delineations that prevailed for most of the past 60 years, Chessen and Bolcar offer this view of today's financial scene: "Consumers are as likely to have a checking account with Merrill Lynch as with a bank; savers are pouring billions of dollars into mutual funds; telephone companies are major players in the credit-card market; home buyers are getting mortgage loans from General Motors; the Money Store is among the largest suppliers of Small Business Administration-guaranteed loans ... and commercial paper has made huge inroads into corporate finance."

Other changes are emerging in the growing competition in financial services. Banks are pressing for more freedom to sell equities and insurance, for example, while brokerages and insurance companies move more deeply into areas once dominated by banks.

The technology that ranks with demographic trends as a major force in revising financial services serves two principal needs. It makes vast amounts of investment and other financial information immediately available to speed buying decisions for financial products that include stocks, bonds, insurance, and banking services. And it enables businesses to provide the convenient service demanded by today's consumers.

Much of the change taking place in financial services is connected with little plastic cards in nearly everybody's wallet.

Small businesses like White's of Florida have applied technology to the point of sale by making arrangements with banks that enable stores to accept debit cards along with the traditional charge and revolving-credit cards.

Experts say the debit card could become a significant method of payment for goods and services in the very near future. The total number of debit terminals grew from 78,071 in 1991 to 155,000 in 1993, according to *POS News*, a bimonthly newsletter published by Chicago-based Faulkner & Gray, Inc., which tracks the electronic-funds-transfer industry.

In a debit-card transaction, the amount of the sale is deducted directly from the customer's checking account at the time of the purchase. The sales clerk passes the customer's ATM card through a slot on an Electronic Draft Capture (EDC) terminal, and the customer punches a personal identification number (PIN) into an electronic PIN pad. The customer receives the merchandise and a receipt after the PIN number and merchandise amount are verified electronically by the customer's bank.

Debit cards are especially popular with high-volume retailers such as supermarkets, where they can reduce checkout time, and gasoline stations, because they increase automation.

But even smaller businesses like White's find them advantageous. Debbie White, who manages the six-store chain that her grandfather started in 1957, says debit cards can provide small companies with several benefits, particularly the guarantee of payment, because the transaction is approved only if the customer has enough money in the bank to pay for the purchase. "One of our greatest problems is receiving checks from accounts that are either closed or overdrawn," says White.

Barnett Banks, Inc., based in Florida, makes the debit program available to White and other small-business owners in its service area. Consumer eligibility for the card is generally not as restrictive as it is for a credit card because the applicant is not applying for credit.

Many banks nationwide are offering this payment option to retailers and other small businesses. To provide the service, a retailer needs an electronic terminal, a printer, and a PIN pad—altogether about $1,000 worth of equipment, about $200 of it for the PIN pad. The merchant pays the bank a fee of 20 to 30 cents for each sales transaction. Some banks charge debit-card holders a fee of 25 cents to 75 cents each time they use the card; Barnett charges customers no debit-card fees.

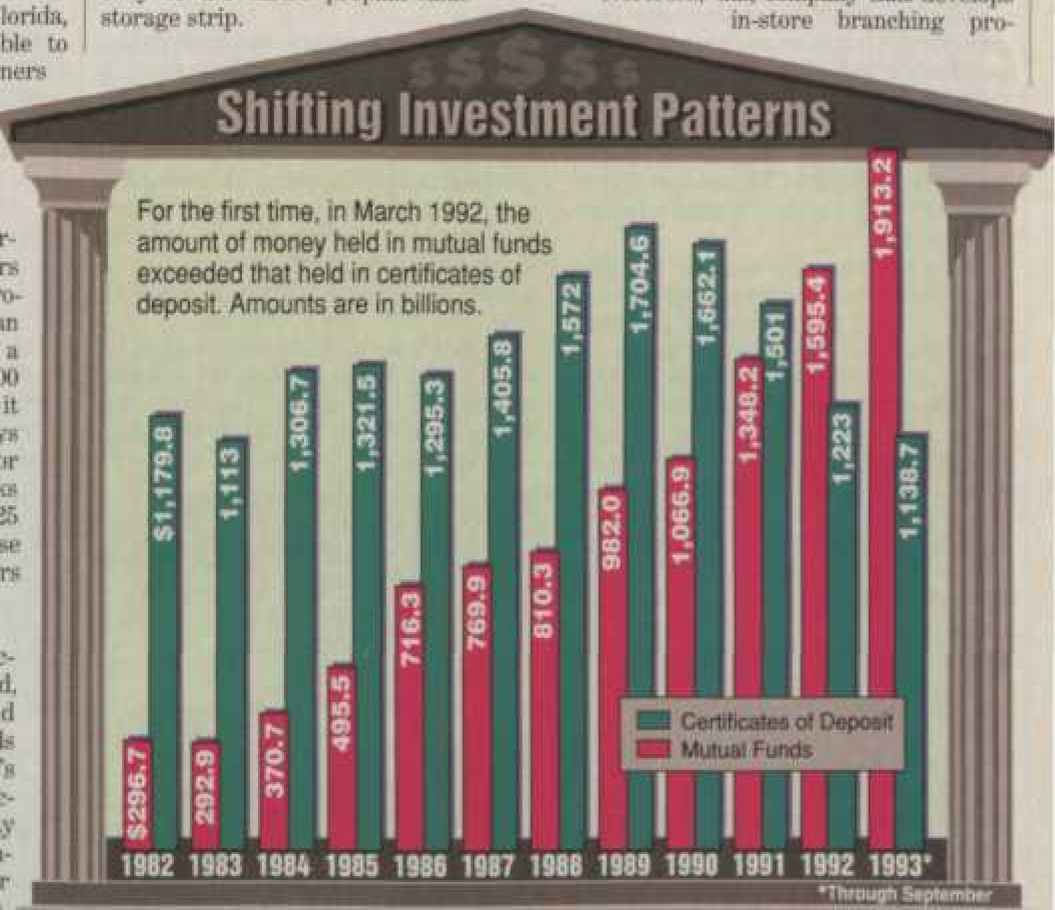
A variation on the debit transaction is the off-line debit card, provided mainly by Visa and MasterCard. Off-line cards carry the credit-card company's symbol, and transactions are processed by the retailer the same way credit-cards sales are processed. Instead of punching a PIN number into a pad, however, the customer signs a sales slip, and the amount of the sale is deducted from the customer's checking account within a few days.

Yet another variation is a multipurpose card that combines a debit function with other electronic functions. These cards are becoming increasingly popular with college students, who constitute a good test market because of their many and varied purchases both on and off campus.

Several colleges are working with banks to offer students this card. It can be used in campus bookstores and cafeterias; in fax, copying, and vending machines; and at participating stores near campus, many of which view the card as a way to capture increased sales in the college-student market.

Northwestern University, in Evanston, Ill., launched a student identification card known as the "WildCard," which is similar to the name of the school's athletic teams, the Wildcats. "It combines all the cards students have to carry into one," says Angela T. Eberts, second vice president of cash management for Chicago's Northern Trust Co., which administers the accounts for the new card.

The WildCard serves as an ID, a library card, an ATM card, and on-line debit card. It also has a cash-value strip. Using one of the electronic terminals on campus, the student inserts the card and a small amount of money, and the terminal transfers a corresponding amount electronically to the card's prepaid-value storage strip.



ADAPTED FROM INVESTMENT COMPANY INSTITUTE, FEDERAL RESERVE. SOURCE: THE STREETCORNER STRATEGY FOR WINNING LOCAL MARKETS, BY ROBERT E. HALL, PERFORMANCE PRESS.

CHART: MICHAEL HOOK

Rose Records in Evanston began accepting the WildCard last year, and manager Cecile Thalley says: "We like the program. It's a source of convenience for our customers, and the store has the advantage of a cash sale."

Issuers of traditional credit cards, permitting later payment after a bill has been sent out, do not see debit cards replacing their products, however.

Kenneth I. Chenault, head of Travel Related Services, U.S., for American Express, says the company plans to provide "a wide range of payment options—charge, revolving, and debit cards" as part of a strategy to "earn 10 percent of plastic spending of worldwide corporate and individual cardmembers." The company says meeting that goal may take years, but success would virtually eliminate bank-sponsored cards "from our cardmembers' wallets."

While many small businesses are working with banks on such financial arrangements as debit-card financing, others, principally supermarkets, are actually welcoming bank branches to their sales floors.

The number of such branches nationwide increased last year to 1,938, a 26 percent jump from 1992 and a nearly tenfold jump from 1985, according to John W. Garnett, executive vice president of International Banking Technologies, a Norcross, Ga., company that develops in-store branching programs. The company has set up more than 700 in-store branches for 130 financial institutions across the U.S., Canada, and South America from 1985 through the first half of this year.

Supermarket branches offer the same services that "brick and mortar" banks provide—accepting deposits, cashing checks, making loans, and selling mutual funds—but at a lower cost. The in-store branches cost approximately $250,000 to build, compared with about $1.5 million for a traditional branch. Typically, in-store branches have longer hours than regular branches, many are open six days a week, and some have Sunday hours.

Supermarket bankers take a nontraditional approach to selling services; for example, they may walk the grocery aisles, talking to prospective customers about opening a checking account or applying for a loan. (As many as 15,000 to

30,000 shoppers visit an average supermarket each week, says Garnett.) Special promotions may be broadcast to shoppers over the supermarket's public-address system—a sort of financial "blue-light special."

An in-store bank branch can provide benefits to the supermarket as well. The bank pays rent to the store for the space, the branch provides the store's customers with a convenient new service, and the branch may also attract new shoppers to the supermarket.

"In-store bank branches have been good for our business and have been very positively received by an overwhelming number of our customers," says Rusty McKay, an owner of two Cub Foods stores in Indianapolis. For the past two years, the National Bank of Detroit has served as the in-store branch in McKay's Indianapolis stores.

Grocery stores are seen as the best retail vehicle because they provide large-volume, repeat customer traffic, Garnett says. The Food Marketing Institute reports that the average consumer makes 2.2 trips to the supermarket each week.

While it is unlikely that in-store branches will move broadly into other retail establishments, bank branches are being opened in some combination with grocery and general-merchandise stores such as the supercenters operated by Kmart and Wal-Mart.

The in-store branches are just one aspect of banks' strategy to counter the effects of competition.

The role of banks as the country's leading financial institutions has declined as other financial-services firms have gained a greater foothold in the marketplace. Commercial banks' share of the nation's financial assets fell to about 25 percent last year from 38 percent in 1960.

Consumer funds no longer going into bank deposits are showing up in private pension funds, mutual funds, and money-market mutual funds. The dramatic increase in nonbank competition is a major cause of the shrinkage of financial assets held in depository institutions.

The number of U.S. banks has declined as well—from 11,000 in 1985 to 8,300 at the end of 1993, according to Federal Reserve statistics. While failures accounted for some of the drop, most of it is attributable to institutions merging or being acquired by other banks.

The Cleveland-based Keycorp is typical of this trend. Now the 10th-largest bank in the country, with $63 billion in assets and 1,400 branch offices, it was formed in the merger of two institutions that were themselves the products of a long series of mergers.

Along with such growth, the nature of institutions such as his have changed dramatically, says A. Jay Meyerson, executive vice president of Keycorp. Noting the strong emphasis that his bank now places on small-business services, for example, he says, "We are looking more like a financial-services company than a traditional commercial bank."

The changing nature of bank services has enabled Keycorp and others to maintain high profitability despite the decline in absolute numbers. U.S. banks earned a record $43.4 billion in 1993, up one-third from 1992's profits of $32.0 billion, as they cut costs and offered new products and services.

More bank mergers and acquisitions are expected now that Congress has passed legislation to allow banks to operate across state lines without the cumbersome and expensive organizational requirements now in force. The measure, which cleared the House in August and the Senate in mid-September, is designed to permit bank holding companies to acquire banks in other states and consolidate them into branch networks.

To move across state lines now, however, banks are required to maintain separately capitalized and chartered banks in each state. The proposed interstate-banking law would do away with that requirement, allowing interstate banking operations to change their many separate banks into offices or branches of a larger banking organization.

By eliminating overlapping and duplicative regulatory and administrative costs as envisioned by the interstate-banking bill, banks nationwide would save $10 billion to $15 billion a year, the Senate Banking Committee estimated.

Small community banks have traditionally opposed interstate-banking legislation because they contend that the offices of multistate banks would lose their local focus and dedication to serving members of local communities.

"Banks are getting bigger, and the bigger the unit, the less personal attention the small-business person is going to receive," says Kenneth Guenther, executive vice president of the Independent Bankers Association of America, which represents 6,000 community banks. "Small firms are going to have problems connecting with the same loan officer year in and year out as banks change ownership and personnel."

But proponents of interstate banking maintain that community banks would continue to flourish and would fill an important role in their cities and towns, especially among customers who want more personalized service.

In addition to interstate activities, banks are seeking other ways to increase revenues that have suffered as larger customers seeking loans turned to sources other than traditional bank financing. Such sources include mutual funds, which have become an extremely popular way to invest 401(k) monies because they offer the potential of higher investment returns than the more traditional savings vehicles such as savings accounts and certificates of deposits.

Companies that sell mutual funds have taken bites from banks' traditional business lines by using higher yields to lure away bank customers. (See the chart on Page 25.) Banks have countered by moving into the sale of mutual funds and annuities.

Federal banking regulators and the courts have said banks may sell mutual funds as long as they do not become the

PHOTO: ©ROBERT HOLMGREN

Some of the venture funds *for Palm Computing, which makes software for hand-held computers, came from overseas sources, says Donna Dubinsky, president.*

mutual funds' sponsor or distributor. The sponsor underwrites the fund, putting up seed money so the fund can be registered with the Securities and Exchange Commission. A distributor handles many of the details of marketing and selling the fund.

Most of the mutual funds that banks sell are established ones from well-known investment companies. A sale is accomplished through a third-party group that assigns its salespeople to the bank.

Some of the larger U.S. banks now offer their own mutual funds, known as proprietary funds. The assets of these funds are managed by the bank itself but are underwritten by another firm.

Community banks also are players. A new report from the accounting firm of Grant Thornton shows that 19 percent of community banks are now selling mutual funds.

Banks' growing involvement in mutual funds, however, has drawn the close attention of federal regulators and lawmakers who are concerned that bank customers may not know that mutual funds are not insured by the Federal Deposit Insurance Corp. (FDIC) and are not guaranteed by the bank. Individual bank accounts, including money-market accounts that invest in government obligations, are insured by the FDIC up to $100,000.

Six national banking associations have developed industry guidelines for the nation's banks to follow regarding the sale of uninsured investment products. They are the American Bankers Association, the Independent Bankers Association of America, the Consumer Bankers Association, Bankers Roundtable, the National Bankers Association, and the Savings & Community Bankers of America.

The guidelines require full oral and written disclosure that mutual funds or other nondeposit products are not guaranteed by any bank, are not insured or guaranteed by the FDIC, and involve investment risk.

In addition, the competition that has put banks into the mutual-funds field has affected other segments of the financial-services industry, including insurance.

One of the most traditional products of that sector, life insurance has already undergone substantial change, however, because of consumers' willingness to trade off varying degrees of security for the potential rewards of risk. That willingness has seen a shift from whole life insurance toward investment-type products such as the variable annuity.

Life-insurance payments exceeded annuity payments by the life-insurance industry until 1984, when they reached approximate parity, but the annuity outlays are now more than double the standard death payments.

PHOTO: ©ROARK JOHNSON

A "WildCard" *enables a Northwestern University student to pay Cecile Thalley for a purchase at Rose Records.*

The competition for new customers will remain as intense for the insurance companies as it will for other financial-service businesses. Because banks have more direct contact with their customers than insurance companies do, insurance agents fear that as banks gain more power to sell insurance products, they—the banks—will be in a better position to sell commodity-type products such as home and car insurance.

"We have been opposed to banks' selling insurance for years, and we will continue to fight it in the courts and in Congress," says Ken Crerar, executive vice president of the Council of Insurance Agents and Brokers. The organization represents 300 of the nation's largest commercial property-and-casualty insurance agencies and brokerage firms that handle those lines of insurance.

Insurance representatives also oppose insurance sales by banks because they maintain that banks have insufficient knowledge and experience to provide the service. "They really don't understand the business," Crerar says.

Change also is under way in the venture-capital industry. The growing reach of financial services across international borders is helping to improve the flow of venture capital into the United States, says Donna Dubinsky, president and chief executive officer of Palm Computing, in Los Altos, Calif. Founded in January 1992, Palm has 25 employees and manufactures software for hand-held computers. The firm has received $7.3 million in venture funds in three different stages of financing.

"What is unique about our financing," says Dubinsky, "is that our lead investor in our third round was a foreign firm," Innolion, the venture-capital arm of a French bank, Credit Lyonnais.

In addition to the globalization of venture capital, foreign venture firms see the U.S. as one of the major places to invest such funds because of the tremendous opportunities throughout the nation's economy, she says. Palm also is receiving funds from three U.S. firms—Merrill, Pickard, Anderson, & Eyre; Sutter Hill Ventures; and Newtek Ventures.

Venture financing still remains difficult to obtain for most entrepreneurs, however. Venture-capital firms, says Dubinsky, invest in the people who operate the company, in the technology or product that the firm is developing, and in the notion that the technology or product is likely to demonstrate considerable growth. The job of the small-business owner is to convince investors that all those factors are present in the company.

Competitive concerns about the expanding role of banks, particularly the fast-growing regional operations, also comes from the securities industry.

"As banks move more into the securities business and are able to branch nationwide, many securities firms feel they are going to be at a competitive disadvantage regionally if they are not allowed to offer their customers banking products such as deposit and loan products," says Samuel J. Baptista, president of the Financial Services Council, a Washington, D.C.-based coalition of U.S. financial institutions that support comprehensive reform of the financial-services industry.

These firms, Baptista maintains, must be allowed to do what banks do in order to compete effectively, as some large financial companies are already doing.

For example, Merrill Lynch, one of the

largest financial-services companies in the world, offers a panoply of products and services, including stocks, bonds, insurance, mortgages, lines of credit, margin loans, investment-banking products, and a full line of services for small companies.

Richard A. Hanson, president of the company's business/financial services affiliate, directs the financing and cash-management side of Merrill Lynch's business, with the help of some 12,000 financial consultants in 500 offices throughout the country.

Cash-management services are offered through the company's Working Capital Management Account (WCMA). It has an automated counterpart, called WCMA Advantage, which allows individuals to access their accounts through a personal computer.

Merrill Lynch also is attempting to increase its focus on the financial-planning needs of its individual and business clients alike, says Hanson. With these services, Merrill Lynch financial consultants can draw up a financial plan for clients, help them set financial goals, and make recommendations on how to implement the plan.

"The plan does not quote specific Merrill Lynch solutions; it is more generic," says Hanson. "This approach will give the small-business person a feeling that we are concerned about how their business is going to prosper, not just about how we are going to do business together."

Another financial-services conglomerate with a similar mission is American Express' IDS, or Investors Diversified Services, which provides a full range of insurance and investment products. IDS currently is involved in a corporation-wide effort designed to provide comprehensive financial-planning services to small companies, says John Harris, director of IDS's business markets.

As part of this mission, IDS's tax and business-services operation has been acquiring a number of small accounting firms that already have substantial small-business client bases. These firms will continue to serve their existing clients and acquire new ones, says Harris.

Along with new product offerings, technology plays a growing role in the securities industry. Computerized stock programs allow individual investors to buy stock via computer, as the Chicago investors group is doing.

Technological change has been a key factor in the growth of the regional stock exchanges, says Leopold Korins, chairman and chief executive officer of the Pacific Stock Exchange, in San Francisco and Los Angeles.

The country's four regulated-auction regional exchanges are in Boston, Philadelphia, Chicago, and San Francisco/Los Angeles. They operate under the same rules that govern the American and New York stock exchanges.

The Pacific Stock Exchange is updating its automated trading system to provide additional capabilities that will allow stock specialists to trade on the exchange without actually being on the floor.

Small businesses benefit from the continuing growth of the regional exchanges because the expansion makes more risk capital available to all companies.

Also facing the industry is a new Securities and Exchange Commission rule that will require that stock and bond trades be settled no later than the third business day following the date of the trade, two business days sooner than the current practice.

The new rule, known as "T-plus-three," will be effective June 1995. It is aimed at further reducing risk and promoting safety and soundness in the marketplace, says Art Samansky, vice president for corporate communications of the Securities Industry Association.

Under the current system, if a financial institution fails, the full extent of its trades and market debts may not be known for five business days.

T-plus-three is expected to bring the corporate securities markets closer to the settlement times of other markets. For example, settlement in the futures, options, and government-securities markets already occurs on the day after the trade date.

On the whole, consolidation within the financial-services industry has left firms larger, better-capitalized, and leaner in terms of overhead, according to consultant and author Gart.

But it remains an industry in transition, one in which the rigid demarcations of the 1930s have been eased but the regulatory climate remains unsettled.

Congress is expected to begin next year a broad review of existing laws governing the financial-services industry, with special emphasis on the extent to which government controls on banks affect their ability to compete in a fast-changing marketplace.

The focal point of the legislative review will be the proposed Financial Services Competitiveness Act, which was introduced in the House in August.

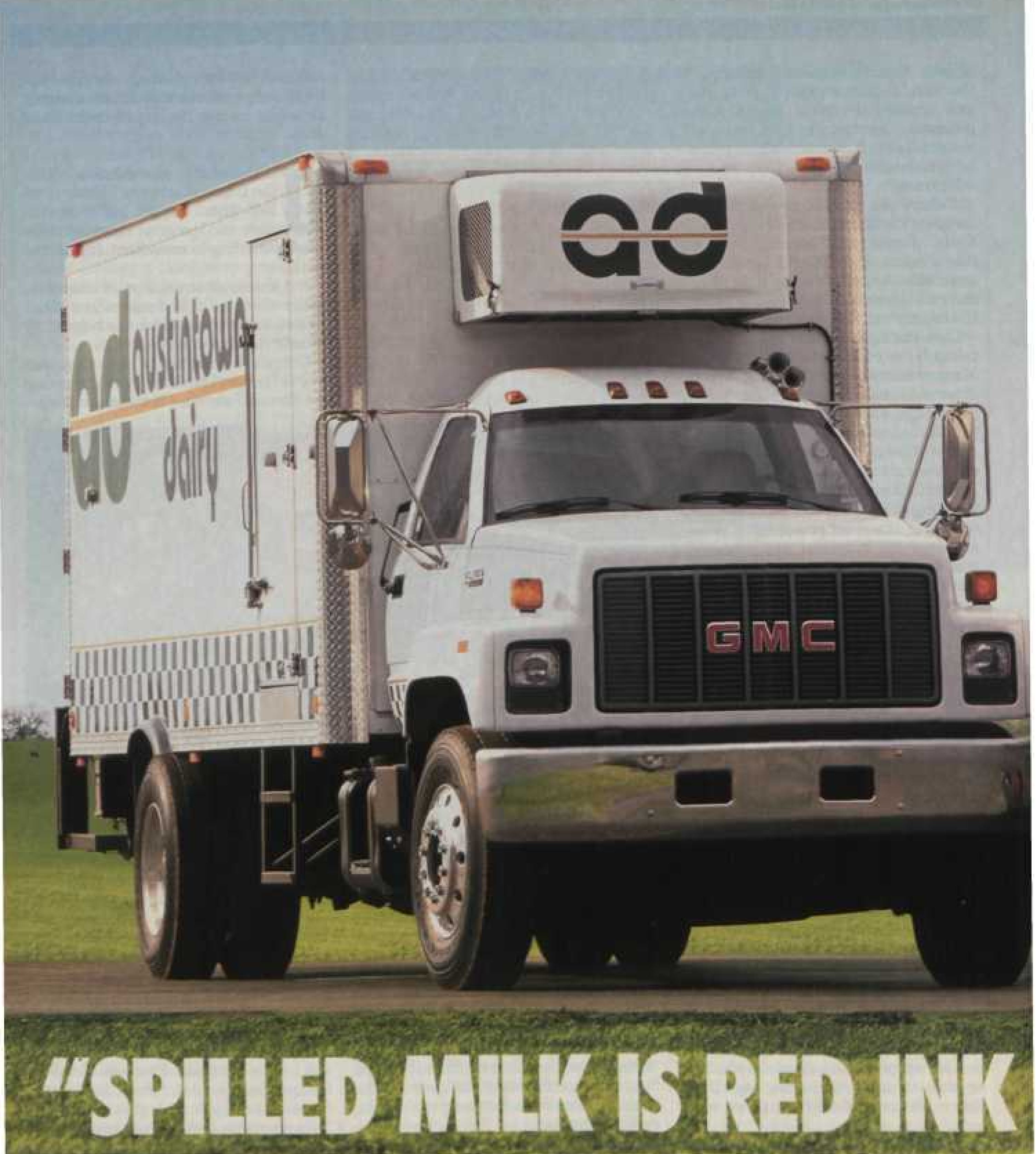
Sponsors are seeking "the level playing field" mentioned so often in the debate over the relative advantages—or disadvantages—facing the banking, insurance, and securities industries in their growing competition.

Given the conflicting interests at stake, agreeing on what constitutes a "level" arena will be a long and difficult process. The outcome, however, will clear the way for still more changes in what is already the vastly changed world of financial services. NB

PHOTO: ©BART BARTHOLOMEW

The growth *of regional stock exchanges is attributable largely to technological change, says Leopold Korins, chairman and CEO of the Pacific Stock Exchange.*

To order a reprint of this story, see Page 89.



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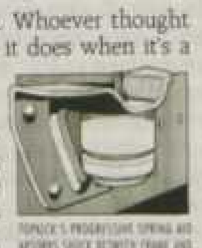

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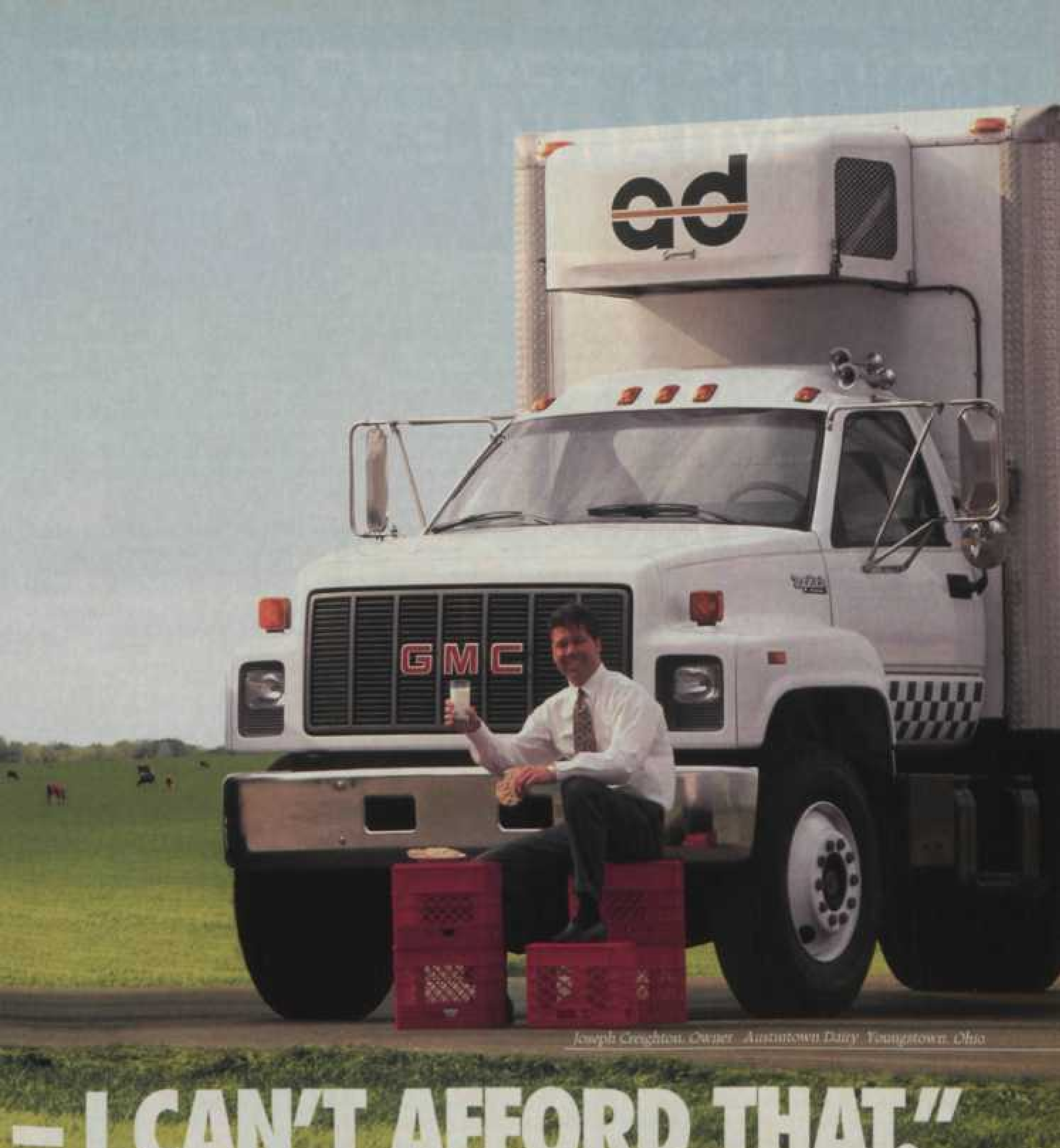

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POLITICS

Election Day's High Stakes

The 1994 off-year elections are shaping up as a fight for ideological control of Congress.

By David Warner

A GOP House majority "could happen this year."
—Rep. Bill Paxon, R-N.Y.

The sign above the first-floor conference room in the Washington, D.C., headquarters of the National Republican Senatorial Committee reads: "Think Majority." The battle cry of the National Republican Congressional Committee, which focuses on House races, is the same.

While the Grand Old Party is given only the slightest chance of winning control of both houses of Congress this November, many experts expect Republicans to capture enough seats in both chambers on Election Day to be able to form working majorities with conservative Democrats in both houses in 1995.

All 435 House seats and 35 of the 100 Senate seats will be filled Nov. 8.

Democrats currently control the House with 256 seats against the 178 held by Republicans. The single Independent member of that body generally votes with the majority. In the Senate, the Democratic margin is 56-44. To gain control of Congress, the Republicans would have to pick up 40 seats in the House and seven in the Senate.

Politicians from both parties and political pollsters and consultants generally agree that the 1994 elections are likely to produce 15 to 30 additional GOP seats in the House and three to six in the Senate.

Rep. Bill Paxon, of New York, chairman of the National Republican Campaign Committee, won't forecast the number of GOP victories in House races. He's optimistic about Republicans' chances, however. "I've said from Day One, since taking over as NRCC chair, that I believe strongly that we will win the majority by '96," he says. "And there's very much a growing chance that that could happen this year."

Like Paxon, Sen. Phil Gramm, of Texas, head of the National Republican Senatorial Committee, won't predict how many Senate seats he expects the GOP to gain. But he says that "everything is in place for us to win a Republican majority in the Senate."

A significant part of the basis for that optimism is the record of an individual who is not even on the ballot this year—President Clinton.

"We are running against the record of this administration and the [Democratically controlled] Congress," says Paxon. "The public clearly is not happy with what they've seen the Democrats do. Certainly, personally, the president is not popular with many people. But it's his policies that have drawn that clear line and that clear distinction [between the parties]."

David Dixon, political director at the Democratic Congressional Campaign Committee, rejects the view that the election will be a referendum on Clinton or his policies. Most of politics is about local issues and local candidates, Dixon says, and the committee is happy with the candidates it has recruited and their ability to address local issues, such as crime and economic development.

Republicans are also heartened by political developments since they lost the White House in 1992 after winning it in five of the previous six presidential elections. In a series of major victories since Clinton's election, Republicans defeated Democratic candidates in Senate races in Georgia and Texas, in gubernatorial contests in Virginia and New Jersey, and in contests for mayor in the nation's two largest cities—New York and Los Angeles. And in an election with special significance for the White House, a Republican was elected to replace the lieutenant governor of Arkansas, who had become governor when the incumbent resigned to become president of the United States.

In addition to the trend of Republican election victories and to a Clinton record that his political opponents consider a plus for them, the numbers involved in the congressional elections provide further cause for Republican expectations.

Democrats face the challenge of defending more seats, including those in districts long considered safe for the party because of the way the district lines were drawn. But the redistricting that followed the 1990 census eliminated much of that advantage and, in Paxon's words, "leveled the playing field, which was very uneven [for Republicans] for the past 10 years."

In the House, where all 435 seats—256 Democrats, 178 Republicans, one Independent—are at stake, there are 50 open seats where the incumbent is not a candidate, and Democrats must defend 30 of them. In the Senate, 22 of the 35 seats on the ballot are now held by Democrats, who must defend six of the nine open seats.

Democrats also have more first-term House members to try to re-elect than Republicans have. There are 64 freshman Democrats and 50 freshman Republicans. In addition, Democrats have only 12 House races where their candidates have drawn no Republican opposition; in comparison, there are 35 races in which GOP candidates have no Democratic opponents.

Historical precedent points to GOP gains, says Victor Kamber, a Democratic consultant and president of The Kamber Group, a public-relations and public-affairs firm in Washington. In the first

"We think we're going to hold our own."
—Democratic Strategist David Dixon


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election cycle after the president takes office, the president's party generally loses congressional seats. Kamber, who notes that "Ronald Reagan lost 25 seats in the House in '82," says he expects Republicans to gain 20 to 25 House seats and three or four Senate seats.

Despite the advantages on which the Republicans are counting, the Democratic Congressional Campaign Committee's Dixon says: "We think we're going to hold our own, but it's certainly a challenge."

Linda DiVall, president of American Viewpoint, a Republican polling and consulting firm in Alexandria, Va., predicts Republican seats will increase to 200 from 178 in the House, and she believes that the GOP could gain control of the Senate. She is among those who expect that with support from moderate-to-conservative Democrats, "Republicans will have operational control of the House of Representatives as a result of the November elections."

With 200 seats, Republicans would need to win support of only 18 moderate-to-conservative Democrats to build a ma-

State Initiatives: Term Limits, Taxes

Voters in 10 states—and as many as 100 localities—will act Nov. 8 on ballot initiatives to limit the terms of their congressional and state lawmakers. Fourteen states already restrict their lawmakers' time in office. (See the accompanying map.)

Lawsuits and political posturing, particularly from the U.S. Congress, have done little to slow the term-limits juggernaut that began in 1990. Norman Leahy, research director for U.S. Term Limits, a Washington, D.C., organization that advocates term limits, says, "If anything, [the term-limits movement is] expanding even though almost all the states that have the statewide initiative process will have passed, hopefully, some kind of term-limit law by this November."

Indeed, four states that already have term-limit laws will have initiatives on the ballot this year to expand and strengthen those statutes.

Colorado's initiative seeks to lower the limits for congressional House members from six terms to three and to extend the law to local elected officials.

North Dakota will vote on whether to limit the currently unlimited terms of state and local lawmakers to eight years. They will also decide whether to reduce from six to three the terms their U.S. House members may serve.

In Utah, the ballot question would lower to eight years the current 12-year limit on the state's U.S. representatives and the members of its House and Senate. The question also would extend the law to local lawmakers.

In Oklahoma, the initiative would extend term limits—now applicable to state lawmakers—to the state's congressional delegation.

Most states that already have term-limit statutes restrict their members of the U.S. House and the state's own house to three terms—usually six years—and members of both the U.S. Senate and the state's own senate to two terms—usually 12 years. Other states restrict the terms of their congressional delegations and those of lawmakers in both chambers of the state legislature to eight years.

"Things look very good right now for the initiatives that are on the ballot," says Leahy. "People still don't think very highly of their members of Congress."

Crucial to the term-limit movement, however, is a U.S. Supreme Court decision on the constitutionality of Arkansas' law. The case is to be argued, and a decision is expected, during the high court's term that begins Oct. 3 and runs through June 1995.

A similar suit filed by U.S. House Speaker Thomas S. Foley, D-Wash., and others, challenging his state's term-limit law, is awaiting a decision by the U.S. Court of Appeals for the 9th Circuit, in San Francisco.

In addition to ballot questions on term limits, the election of 435 U.S. House members, 35 U.S. senators in 34 states, 36 governors, and state and local officials, voters in a number of states will also cast votes on tax initiatives.

At least six states—Florida, Missouri, Montana, Nevada, North Dakota, and Oregon—are expected to have major anti-tax questions on the ballot. All of the initiatives except Nevada's call for voter approval of any state tax increases. Nevada would require a two-thirds vote by both houses of the legislature to raise state taxes or fees.

The ballot questions in Arizona and South Dakota will be on property-tax reform measures.

Initiatives on property-rights protections, crime measures, and gambling also will appear on ballots in several states.

With such politically important matters as term limits and taxes at stake, the 1994 elections are likely to be anything but dull.

The Spread Of Term Limits

1 - Awaiting 9th U.S. Circuit Court of Appeals decision on constitutionality of its law.
2 - Awaiting U.S. Supreme Court decision on constitutionality of its law.

SOURCE: U.S. TERM LIMITS, WASHINGTON, D.C.

jority on specific bills. And there are strong precedents for such coalitions. Over the past several years, pro-enterprise Democrats have sided frequently with Republicans on fiscal, regulatory, and other issues of concern to business.

While Democrats outnumber Republicans by 78 votes, the 1993 budget bill, levying $250 billion in higher taxes over five years, passed the House by only two votes as all Republicans held firm against it and many Democrats joined in that opposition.

A similar situation exists in the Senate. Despite the Democrats' 12-seat edge, the vote for that same budget bill was tied at 50-50, leaving it to Vice President Gore to cast a deciding vote in favor of the bill.

And, with just a few more votes, Senate Republicans, with help from a few Democrats, could have won passage this year of two long-sought pro-business proposals—reform of product-liability laws and congressional approval of a balanced-budget amendment to the Constitution.

The closeness of those votes is reflected in the tight races in the last election cycle. In the 1992 election, 26 Democrats and 21 Republicans won their seats with less than 55 percent of the vote. In Minnesota, for example, Democrat David Minge beat Republican Cal Ludeman by 569 votes out of 275,000 cast.

Although business could gain support for its positions from an increase in Republicans in Congress, political observers differ in their estimates of how much more pro-business or more fiscally—or ideologically—conservative the 104th Congress will become.

Indeed, of the 30 open Democratic House seats, 14 are in the more conservative South, and 11 of the representatives who now hold those seats, such as Earl Hutto, of Florida, and J. Roy Rowland, of Georgia, have voted with business at least half of the time during their careers on issues critical to employers, according to an analysis by the U.S. Chamber of Commerce.

In 1993, for example, nine of those 14 Democrats voted in line with the Chamber's position against legislation that would have prohibited employers from permanently replacing striking workers, and 12 of the 14 voted for the Chamber-backed North American Free Trade Agreement (NAFTA), which passed the House on a 234-200 vote.

> "Neither party will have enough [members] collectively between the House and Senate to really move any legislation."
>
> —Political Analyst Charles E. Cook

The change in the Senate may be more profound. Of the 11 races rated as "tossups" by political analyst Charles E. Cook, eight of the seats are held by Democrats—seven of whom consistently voted against business. Of the three Republicans, two are solid business supporters, and the other, retiring Minnesotan Dave Durenberger, voted only 58 percent of the time with business, according to the Chamber.

But Cook doesn't believe there will be a big ideological shift in the new Congress toward the business positions.

While business nemeses such as Sens. Howard M. Metzenbaum, D-Ohio, and Donald W. Riegle Jr., D-Mich., and Reps. Don Edwards, D-Calif., and William D. Ford, D-Mich., are retiring, business also is losing some of its champions, including Reps. Timothy J. Penny, D-Minn., Robert H. Michel, R-Ill., and Robert F. Smith, R-Ore., and Sens. Malcolm Wallop, R-Wyo., and John C. Danforth, R-Mo.

Says Cook: "I think what will happen is that neither party will have enough [members] collectively between the House and Senate to really move any legislation. You're going to look at complete gridlock as opposed to incomplete gridlock today."

"When all is said and done," says Democratic consultant Kamber, "I think the Congress will be a little more conservative than it is today. The increased [Republican] numbers will probably protect business from any outrageous legislation or programs that they would be unhappy with." NB

Register And Vote

The U.S. Chamber of Commerce is encouraging business people to register to vote and to cast their ballots Nov. 8.

"The nation needs a Congress committed to pro-growth, entrepreneurial policies that will restore and maintain economic health," the organization said in a pre-election statement. "Business people, who know firsthand what misguided government policies do, have a special responsibility to turn out on behalf of candidates who will support market-oriented solutions to problems."

Employers are also being urged to encourage their employees, through such means as reminders about Election Day, to vote on Nov. 8.

SPECIAL REPORT

The 1995 Trucks

By Julie Candler

Sport-utility vehicles *such as the GMC Jimmy are in high demand.*

Business people checking out manufacturers' 1995 truck offerings are likely to find improved cabs and electronics, slightly higher prices—and waiting periods for some models.

Light-truck manufacturers say they've focused on larger and more comfortable cabs because customers want seating for more passengers and sometimes extra cargo space up front.

Medium-size trucks, many of which are used for pickup and delivery, are continuing a trend toward easier entry and exit for drivers as well as more comfortable cabs in many models.

Makers of heavy-duty trucks, faced with a high demand for sleeper cabs, are one-upping each other to outfit cabs on their long-haul models with home-away-from-home furnishings to make them more driver-friendly.

Commercial users like larger cabs because they want a place to lock up valuable items and to protect cargo against high and low temperatures while operating the vehicle, says Alex Tsigdinos, manager of public relations for Jeep/truck platforms of the Chrysler Corp.

"A lot of commercial buyers—construction, general industry, farmers, and ranchers—like the room for extra passengers," he says. "In addition, the small-business operator who needs a pickup truck for cargo-bed capacity often uses the same vehicle for business and personal use."

Cabs of heavy-duty trucks are also getting spruced up to make them more comfortable for drivers on long trips—with features such as increased stand-up room, better suspension systems, and amenities such as TVs and coolers—in an effort to retain drivers at a time of driver shortages.

"The trend is to a lot more consideration and concern for the driver," says David Bardsley, a manager with the business strategy department of Ford Heavy Truck. Also, he says, "truck-maintenance people know that the driver who is comfortable is not going to beat up the truck" by practices such as hitting bumps at high speeds or grinding the transmission.

To increase engine reliability and operating efficiency, improved electronics were installed in many 1995 models of all sizes. As a result, more truck models will have anti-lock braking systems, and many instrument panels will offer more information about the condition of trucks' operating systems.

The costs of the improvements will be relatively modest. Prices for 1995 light-duty trucks are expected to rise about 2.5 percent over comparably equipped 1994 models, while makers of medium- and heavy-duty trucks are hinting at smaller rates of increases.

Prices for the big Class 8 trucks, for example, will go up no more than 1 percent to 1.5 percent over 1994 models, projects Frank Prezelski, director of research at Ladenburg, Thalmann & Co., Inc., a New York investment banking firm.

Sales of light-duty and heavy-duty trucks are expected to remain hot, resulting in continuing delivery delays for buyers.

Sales of 1994 light trucks are expected to top a record 6.1 million. Mary Anne Sudol, senior vice president with Fitch Investors Services, Inc., in New York City, says some of that growth could come at the expense of passenger-car sales. She says the market for light trucks could rise from 40 percent of all vehicles currently sold to 45 percent in 1995.

Sales of medium-duty trucks are expected to remain flat, while rising demand for larger, Class 8 trucks is expected to continue before tapering off late next year. U.S. retail sales of the big Class 8s are expected to reach a record 200,000 in 1994, up from 139,661 in 1993, according to Hal Booth, vice president of worldwide sales for Rockwell International Automotive Operations, in Troy, Mich. The previous high was 173,741, in 1979.

Contributing to the sales boom for trucks are still relatively low interest rates and a high level of consumer confidence. Growth in manufacturing has increased the need for trucks to move products to market.

But the biggest demand, most industry experts say, is from individuals who like the practicality, versatility, and durability of light trucks, and within that category the greatest demand is for sport-utility vehicles.

Businesses find sport-utilities handy for purposes such as security-guard use and for getting around construction and survey sites.

For personal use, upscale models of sport-utilities are displacing luxury cars in many suburban garages.

Despite all the talk about the personal use of trucks, says Keith Helfrich, marketing manager for Dodge Truck, what's really driving the sales is small business. "We think one reason for the surge in light-truck sales could be that a lot of businesses are coming back to the marketplace," he says.

What does the continuing strong demand mean for buyers? Waits for delivery—which hasn't happened since the 1970s—have been common this year in the light- and heavy-truck categories. But they are expected to shorten for 1995 models as industry suppliers step up their manufacturing, easing the shortages that

have developed in some vehicle-manufacturing components.

Even if you do have to wait for a new truck, the time could be worth it for some of the innovations you'll find. Here's what's new on the 1995 models:

Light-Duty Trucks

Light-duty trucks include Class 1 (up to 6,000 pounds gross vehicle weight, or GVW), Class 2 (6,001 to 10,000 pounds), and Class 3 (10,001 to 14,000 pounds).

CHEVROLET

Large rear windows and a sharply raked glass hatch mark the styling of the new compact sport-utility Blazer. The Blazer is available in both two-door and four-door models and with two-wheel or four-wheel drive.

A 4.3-liter V6 engine increases the previous Blazer's horsepower by 30. The vehicles are essentially identical to the GMC Jimmy models. (See the GMC listing.)

Chevrolet changed the name of its full-size sport-utility vehicle, the two-door K-Blazer, to the Tahoe, added new features, and plans to introduce a four-door Tahoe next spring.

DODGE

A new Club Cab model of the full-size pickup, the Ram, adds 20 inches to the interior of this well-received truck introduced in 1994.

The new forward-facing rear bench seat has room for three passengers, bringing the total capacity to six occupants. Split-folding rear seats are now standard for the Club Cab model of the midsize pickup, the Dakota.

FORD

The all-new Windstar wagon and van is Ford's first front-wheel-drive minivan. As a cargo van for fleet customers, it comes in one trim level with a higher payload of 1,750 pounds for 1995. The cargo cavern is 144 cubic feet. Fuel economy is 17 miles per gallon in the city, 24 mpg on the highway.

Windstar is also available as an upscale, seven-passenger model with a base price just under $20,000. It has the longest wheelbase, widest track, and biggest body of all minivans.

The vehicle features dual air bags, an anti-lock braking system (ABS), storage bins and cup holders, flexible seating, and a cargo area behind the front bucket seats. A 3.8-liter V-6 engine powers the more luxurious LX model. A smaller, 3.0-liter V-6 will be added for the GL version.

The compact Ford Ranger pickup gets a face lift that includes a new grille for 1995. Inside, its instrument panel and steering wheel have been updated.

Dodge Ram Club Cab 2500: *More room inside.*

Ford Windstar: *All-new, with front-wheel drive.*

Suzuki Sidekick: *An improved canvas drop top.*

Chevrolet Blazer: *Four-wheel drive available.*

Land Rover Discovery: *Room for seven.*

The Econoline full-size cargo and passenger vans get an optional turbocharged, direct-injection, 7.3-liter Navistar diesel for the 250 and 350 models. The new 190-horsepower V-8 engine revs up more power and torque and about 15 percent better fuel economy than its predecessor. It is expected to be rated at 16.5 to 17.3 miles per gallon.

The standard Econoline engine is a 4.9-liter, gasoline-fueled, inline six.

GMC

Available as a two-door or a four-door compact sport-utility, the Jimmy is based on the 1994 GMC Sonoma pickup. The roof pillar and window in the rear slope toward the front for a sporty appearance.

The four-door model is longer, lower, and wider than previous Jimmy four-doors—for more interior room and behind-the-seat cargo space. Both vehicles are powered by a 200-horsepower, 4.3-liter V-6 engine.

HONDA

The all-new Odyssey minivan is based on the Accord and is a cross between a station wagon and a minivan. It has low step-in height and is available in six- or seven-passenger versions. Its middle seat is removable, and the third seat folds flat into the floor.

Odyssey is scheduled to arrive at year's end, with the Accord's 2.2-liter four-cylinder engine.

Honda also markets a relabeled Isuzu Rodeo sport-utility. The company has put the Honda badge, or label, on the Rodeo so that the same vehicle is either a Honda Passport or an Isuzu Rodeo.

ISUZU

A handsome new Aerocube, or aerodynamically designed cab, has been introduced for the 1995 Class 3 low-cab-forward NPR models. Diesel-powered versions are planned for arrival this fall, followed by gasoline-fueled NPR-EFIs toward the end of 1994.

The cabs for the NPR, Chevrolet Tiltmaster W4, and GMC W4Forward are identical. (See the Chevrolet listing under "Medium- And Heavy-Duty Trucks" for details.)

LAND ROVER

The Land Rover Discovery, an upscale, four-wheel-drive sport-utility vehicle made in Britain and available here for the first time this spring, has a 1995 base price of $28,900.

The Discovery seats seven, has dual air bags, and is powered by a 182-horsepower, 3.9-liter V-8 engine.

The new Defender 90 is the only open


Kenworth T300: *Made for durability.*


UD1800: *A panoramic windshield.*


International Lo-Profile: *A concept truck.*


Mitsubishi Fuso FE-HD: *Useful for deliveries.*


Peterbilt Model 330: *A lighter, aluminum cab.*

air sport-utility sold in North America with both a V-8 engine and four-wheel drive.

MITSUBISHI

The sport-utility Montero LS from Mitsubishi Motor Sales of America, in Cypress, Calif., gets an all-new, 3-liter, V-6 engine for added performance.

The Mighty Max pickup truck is now available only with two-wheel drive and a standard cab. The 1994 truck came in both two-wheel- and four-wheel-drive versions and also an extended cab, called a Macrocab.

MITSUBISHI FUSO

The Class 3 FE models from Mitsubishi Fuso Truck of America, Inc., in Bridgeport, N.J., can now be equipped with low-profile StepSaver van bodies 13 to 16 feet long. These bodies are designed to make the trucks especially useful for route deliveries of products such as bakery goods. A 36-inch aluminum roll-up door can be installed on either side.

Unlike a step van, the StepSaver body is separate from the cab, a feature that reduces noise and improves temperature control in the cab.

SUZUKI

Both models of the two-door Suzuki Sidekick sport-utility vehicle have an improved canvas drop top for 1995 that is easier to remove.

The four-wheel-drive JX, an upgraded model of the two-door Sidekick, gets a new, 16-valve engine.

Medium- And Heavy-Duty Trucks

Following are new trucks and features in Class 4 (14,001 to 16,000 pounds GVW), Class 5 (to 19,500 pounds), Class 6 (to 26,000 pounds), Class 7 (to 33,000 pounds), and Class 8 (over 33,000 pounds).

CHEVROLET

A new cab design has been adopted for the highly maneuverable Tiltmaster W4 truck. Its low-cab-forward configuration positions the driver over and ahead of the front axle for better visibility and to make it easier for the driver to enter and leave the vehicle.

The Tiltmaster's GVWs range from 11,050 to 14,250 pounds, and its diesels are built by Isuzu. The company produces all General Motors low-cab-forward designs except for a gasoline-powered version made at a General Motors plant.

The cab emphasizes visibility, with a larger windshield and the front area of the oversized, one-piece side windows cut out below the traditional lower edge, to provide 35 percent more glass area. Big, wider side mirrors are retractable for easing through narrow alleys. Doors open a full 90 degrees, and the aluminum foot step is two inches lower than its predecessor.

The interior offers more passenger space, better seat adjustability, storage pockets, and four cup holders.

The vehicle is powered by a 3.9-liter, turbo-intercooled diesel engine or a gasoline-fueled V-8.

FORD

Redesigned F-Series medium-duty trucks and tractors with GVWs ranging from 19,000 pounds to 54,600 pounds get a new, aerodynamic hood. An optional, one-piece stationary grille for front-end-mounted equipment optimizes air flow over the radiator, while the one-piece fiberglass hood tilts 75 degrees. The all-steel galvanized cab has a new instrument panel with a choice of either a driver's seat plus a two-person companion seat or a standard three-person bench seat.

The Navistar 7.3-liter Power Stroke turbodiesel becomes an option on the Class 4 F-Super Duty chassis. A gasoline-fueled, electronically injected V-8 will be available in 216- and 230-horsepower ratings.

A shiny, like-new Class 8 AeroMax 120 was displayed at the 1994 International Truck Show in Anaheim, Calif., in July. Driven 265,000 miles, the used truck was there to mark the announcement of Ford's new Blue Ribbon Used Truck program for medium- and heavy-duty trucks.

The program lets Ford heavy-duty-truck dealers bid competitively on major fleet trade-ins, even in large numbers. Dealers put each qualified truck through a 210-point checklist in reconditioning it. They offer the vehicles with a 100,000-mile extended-service contract on the engine.

The program is expected to boost residual values for the used trucks, some of which have logged up to 500,000 miles. Dealers participating in the program must meet criteria that include expanded service availability.

"Buyers purchasing new trucks today can be confident of good residuals," says Ford's Jeff Kahn, manager of the program.

FREIGHTLINER

A 26-inch extended cab for the medium-duty Business Class trucks becomes available in October. It offers a low-cost bunk option to enable the driver to go off duty—in compliance with trucking regulations—and rest comfortably during long waits for loading or

Our customer base just keeps buil

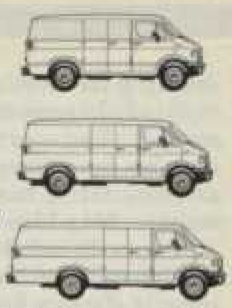
Standard driver's airbag. *Dodge is the only full line truck manufacturer to put a standard driver's airbag in*

every single truck it builds.[†] *So of course, Dodge Ram Van comes with one. With such dedication to safety, it's no wonder we keep so many of our customers.*

More hard-working power. *Dodge has, overall, the most powerful line of truck engines on the planet. So it's no surprise, Ram Van's 3.9L Magnum V-6 gives you more standard horsepower than any other van. What's more, two Magnum V-8s are available – a 5.2L and a 5.9L that out-power comparable V-8s.*

Standard rear anti-lock brakes. *To help you get to work safely, Ram Van is equipped with standard rear-wheel or available four-wheel anti-lock brakes.*

Measurably better. *With Dodge Ram Van, you get to select among three body lengths. Not only that, Ram Van's maximum payload is greater than Ford, Chevy or GMC.*



We stand behind our work. *Ram Van is backed by our new Customer One Care™ 3-year or 36,000-mile bumper-to-bumper warranty and 3/36 Roadside Assistance. There's a 7-year/100,000-mile outer body rust-through warranty, too.**

Solid value. *Your Dodge dealer offers a Ram Van Tradesman Package that includes many of the options you look for in a work van. For the name of your nearest dealer, or for information on commercial buyer incentives, call 1-800-WORK RAM.*

†Always wear your seat belt for a fully effective airbag. *See limited warranties and restrictions at your dealer. Excludes normal maintenance & wear items.

ding.

America's Truck Stop The New Dodge

A DIVISION OF THE CHRYSLER CORPORATION

unloading the truck's cargo, especially intermodal shipments. The extension stretches the cab enough to accommodate a bunk that measures 24 by 75 inches.

The new 70-inch Mid-roof sleeper cab provides 68½ inches of stand-up headroom in the front of the cab and in the sleeper. The cab's integrated design eliminates any seam between cab and sleeper unit.


Freightliner Mid-roof sleeper cab: *Stand-up headroom.*

A 360-pound reduction in weight is an advantage of the new AirLiner Plus electronically controlled rear air suspension, which keeps frame height constant and can improve traction on slippery roads.

A new Independent Used Trucks program offers one-owner Class 8 Freightliners that are up to three years old and are in prime condition. Dealers sell them with two-year, 200,000-mile extended coverage on major components, the cab, and the frame.


Mack crew cab: *Targeted for emergency crews.*

GMC
The same new aerodynamic cab design on the Chevrolet Tiltmaster and the Isuzu NPR has been adopted for their trucking cousin, the identical GMC W4 Forward model, a Class 3/Class 4 vehicle.


WHITEGMC: *New diagnostic messages.*

ISUZU
A new and better-performing FRR Class 5 diesel model has a 19,500-pound GVW and is powered by a 7.1-liter, six-cylinder turbodiesel producing 200 horsepower. The new model also joins the Chevrolet Tiltmaster and GMC Forward lines.

KENWORTH
Kenworth's T300, the company's first Class 7 conventional medium-duty truck, is designed for purposes such as hauling beverages, use in light construction, and transporting intermodal shipments. Its goal is Class 8 durability in a smaller Class 7 package.


Isuzu NPR-EFI Aerocube: *Better visibility.*

The T300 features a single-axle straight truck with a 30,000-pound GVW, or a tractor with a 65,000-pound gross combined rating in a lightweight aluminum cab. It has a 210-horsepower Cummins C-series 8.3-liter engine.

Demand for the T600 AeroCab-sleeper package, introduced in 1993, was so great that Kenworth has created a family of Aerocabs and redesigned its T800 trucks to accept the top-of-the-line AeroCab AERODYNE sleeper. Kenworth says the cab's aerodynamic design saves up to $400 per year on fuel. The firm also adds AeroCab with a flat top.


Navistar Pro Sleeper's *Command Center.*

An advantage claimed for the AeroCab is the lack of a bulkhead between cab and sleeper. A 72-inch version allows 60 inches for the sleeper and 12 inches between the driver's seat and sleeper.

The smallest member of the AeroCab family is a new, 62-inch sleeper, which is priced lower, has 2.5 percent better fuel economy, and weighs 250 pounds less than the 72-inch version—and yet has 72 inches of stand-up height.

MACK
A new crew cab for a medium-duty truck, called the Team Manager, is targeted for emergency crews. The cab seats six and will be available this fall on an MS300P chassis with a GVW of 30,500 to 35,000 pounds.

All Mack medium-range trucks will be outfitted with lap and shoulder belts.

The company has introduced a five-year/500,000-mile warranty that includes 12 months of free roadside assistance for problems resulting from Mack engines and components.

In addition, an agreement with the Associates, a company that finances heavy-duty trucks, enables Mack to offer new financial services.

NAVISTAR
A new, 51-inch Hi-Rise Pro Sleeper features driver and passenger seats that swivel 180 degrees. The one-piece cab and sleeper also is equipped with a new Command Center instrument panel. Both Pro Sleeper and Command Center are offered on all 9000 Series conventional-cab tractors.

The Command Center panel's gauges and switches are easy to read, day or night. It can also be ordered with the redesigned Paystar 5000 Series of severe-service, off-road trucks and tractors featuring a new fiberglass tilt hood.

Enthusiastic response to the Advanta concept truck at industry shows encouraged Navistar to go into limited production with its advanced-looking vehicle, called the Lo-Profile. Vertical splash shields cover its unique front grille.

An aluminum flatbed 92 inches wide and 120 inches long is bordered by 9-inch frame rails. GVW is 19,500 pounds.

An on-highway International 9300 premium conventional becomes the first truck warranted by any manufacturer for 1 million miles or six years of use. Each Golden Eagle vehicle is being built with a preset list of specifications, including an all-aluminum riveted cab with a Pro Sleeper.

Also new is the StepSaver, a factory-installed, dual-drive, walk-in refuse and

recycling chassis in the 4000 Series medium-duty truck line. Its stand-up, right-side drive station lets a driver step directly to the curb.

PETERBILT

The Model 330 is the first Peterbilt conventional in the Class 7 market. It is for inner-city and short-haul uses and covers the heavy end of Class 7 or the light end of Class 8. The aluminum cab on the new Model 330 Class 7 truck is about 500 pounds lighter than a steel cab. Styling is based on the Peterbilt Class 8 truck, with a 15-degree hood slope providing good visibility for the driver.

A 6.6-liter Caterpillar 3116 engine is standard, and the Cummins C-series engines with 210 to 300 horsepower are options.

SmartGage, a Peterbilt exclusive, is described as a breakthrough in increasing the reliability of a truck's electrical system. It reduces the spaghetti-like wiring behind most dashboards by using a single data cable to connect all gauges. A driver can press a gauge-like message center, and it will scroll through odometer, fluid level, and other readings, including pressure in the air line.

> **"A lot of commercial buyers—construction, general industry, farmers, and ranchers—like the room for extra passengers" in a larger cab. "In addition, the small-business operator who needs a pickup truck for cargo-bed capacity often uses the same vehicle for business and personal use."**
>
> —Alex Tsigdinos, Jeep/Truck Platforms, Chrysler Corp.

SmartGage will be available in the first quarter of 1995 in Model 320 LCF and later in conventional models.

UD TRUCKS

A newly designed cab that is hydraulically suspended for driver comfort is used on Nissan Diesel America's UD1400 and all other medium-duty trucks in the line: the UD1800, the UD2300LP (low-profile design), UD2300 DH (dock-height design), plus the heavy-duty UD2600 and the UD3000, with GVWs from 17,995 (Class 5) to 30,000 pounds (Class 7).

The new cab's aerodynamic design is accented by a large, curved panoramic windshield. Flush cab surfaces reduce wind resistance and noise, and new suspension and ventilation systems have been added.

The GVW rating of the Class 4 UD1400 has increased by 200 pounds, to 14,250 pounds. Introduced last year, the truck gets a more-powerful and cleaner-operating engine, a 4.2-liter, six-cylinder turbocharged diesel producing 140 horsepower.

VOLVO GM

Nameplates from Volvo GM Heavy Truck Corp. include Volvo GM, WHITEGMC, and Autocar.

New instrumentation, called the Data Link Dash Cluster, displays diagnostic messages from onboard electronics in easy-to-read digital letters. They appear below the speedometer when the truck is stopped. "InAirTmp," for example, tells the driver of a problem with the air-inlet temperature.

A new, 12-liter engine, the VE D12, introduced in late 1993 for all Class 8 WHITEGMC trucks, rates up to 415 horsepower. NB

MANAGING

Ten Tips For Lawyers' Clients

To survive litigation, you should maintain records, guard secrets—and keep your cool.

By John Toothman

Sooner or later, every business will face a threat of litigation or be forced to consider suing someone. Whether going in as plaintiff or defendant, a businessperson should be aware that routine business practices are viewed in litigation through the peculiarly distorted optics of the legal system.

Even the strongest case can be undermined by a few stray facts, out of which an opponent can weave a theory that guarantees the case will be long, expensive, and risky.

But there are ways to avoid some of the major pitfalls of litigation, to improve the odds of winning, or to avoid it altogether. Here are 10 suggestions that can help you achieve either of those goals:

1. Read and understand every document before signing it. Everyone knows better, yet almost everyone signs documents they have doubts about, perhaps because they are in a hurry or simply want to give their counterpart the benefit of the doubt. Regardless of the excuse, lawyers and judges generally cannot change a "deal," even if it consists of dozens of ridiculously one-sided provisions in tiny print on the back of a preprinted form.

Even with a supposedly "non-negotiable" agreement, one always has the option to walk away.

2. What you say can and will be used against you. A persistent misconception people have is that oral statements or agreements are not binding in court. Documentation can be more concrete—important matters should always be reduced to a signed writing—but the practical difference is primarily that oral statements are harder to prove with precision, though just as legally binding once proved.

3. Avoid doing things that you would be embarrassed to repeat to your grandmother—or a judge—no matter what the provocation. It can happen to even the most even-tempered business people: After weeks of unanswered phone calls and anxious waiting for an important delivery, they finally get their opposite number on the phone, but the conversation quickly becomes a heated argument. At the time, the provocation may be substantial, but attempting to convey that to a jury, years later, will be next to impossible.

In court, actions and words will be presented out of the context that made them seem reasonable at the time.

ILLUSTRATION: MICHAEL HOOK

4. Resist the temptation to threaten an opponent with legal action or retaliation. Threats to put someone out of business may only give them ammunition for a counterclaim. The toughest opponents let their actions do their talking.

5. Maintain complete, orderly records, but retain them only as long as they are needed. Some businesses keep records on cocktail napkins stuffed into shoe boxes, others keep every scrap of paper for centuries. The best document-retention policy is somewhere in between, so that documents are kept only as long as required by law or the needs of the business.

Documents are like old clothes: If they have not been used for a year, clean out the closet.

6. Keep sensitive information confidential. Customer lists, trade secrets, or conversations with lawyers, to name a few, may be protected from wholesale disclosure in litigation, but only if they are kept confidential. The evidentiary privileges that protect confidential information are very fragile things, so guard them carefully.

Share confidential information with outsiders and it might as well be published in a newspaper.

7. No matter what the Census Bureau says, we all live in small towns. For instance, the best-kept secret can leak if a trusted employee suddenly goes to work for a competitor. Even if company secrets are safe, litigation will be hot news in the local rumor mill, which can be hard on a business's reputation. And companies with reputations for being litigious may find that customers or suppliers no longer trust them.

In other words, do not assume that the deepest, darkest secrets are safe or that being right will be enough.

8. At least half of the free legal advice available from television, newspapers, neighbors, and relatives is wrong. But which half? Many boring legal details are lost in translating the law into small talk or Hollywood scripts. (Your common sense and business experience are far more reliable than the cocktail party bar.) When you're in doubt, you should check with a real lawyer, not the latest episode of "LA Law."

9. Confront problems rather than ignore them. Problems left on the back burner have a way of boiling over. For example, in many employment-termination cases, problem employees can point to regular salary raises and "satisfactory" reviews by supervisors as evidence that a hidden agenda, such as discrimination, was behind their termination.

Accounts receivable, as another example, are not like red wine: They do not improve with age.

10. While ignorance might be bliss, or at least an excuse, in some situations, it is neither when you are involved in litigation. Many laws provide for "strict" liability, meaning that one can be liable even though there has been no fault or intent to commit a crime. This includes, for example, many tax, environmental, and criminal laws.

No matter how revolting the thought of litigation and legal fees may be, it is better to see a lawyer at the first sign of trouble, rather than when it is too late to avoid it.

John Toothman is a lawyer, writer, and legal consultant in Alexandria, Va. He advises that the suggestions in this article are not meant to substitute for individual consultation with a lawyer on specific business situations.

HEALTH-REFORM WATCH

A Plan With Little Promise

The Senate Mainstream Coalition's proposal for health reform gets a chilly reception.

By Roger Thompson

As Congress resumed the debate on health-care reform in mid-September, attention focused on the Senate's so-called Mainstream Coalition proposal. While it was crafted by a bipartisan group of senators in hopes of salvaging some measure of reform this year, it nevertheless is given little chance of passage.

Almost no one, including the business community, found the compromise acceptable. Key business groups, including the U.S. Chamber of Commerce, said the Mainstream approach "would do more harm than good."

In a letter to congressional leaders, a coalition of 38 groups representing large and small companies complained that proposals to tax "high-cost" health-insurance plans and to ban self-insurance for small companies "would substantially increase the health-care costs paid by employers and their workers."

Business successfully fought reform plans offered by President Clinton and the Democratic leadership in Congress because of provisions, notably the employer mandate, that would have imposed substantial new costs on employers. Under Clinton-style mandates, companies would have been required to provide health insurance to all employees and to pay up to 80 percent of the cost.

The Mainstream proposal contains no mandate but aims to provide health insurance to 95 percent of all Americans by 2002, up from 85 percent currently. To achieve this goal, the plan would guarantee access to health insurance and give the federal government responsibility for insurance regulation, which is now a state responsibility.

The plan also calls for greatly expanded federal subsidies to low-income individuals and families, financed largely by cuts in Medicare and Medicaid—the federal health-care programs for the elderly and the poor, respectively. (See the plan summary on Page 47.)

If the 95 percent coverage goal is not met by 2002, however, the proposal calls for Congress to consider under expedited rules various ways to insure more Americans. Congress would not be required to take any specific action.

In conceding defeat for his own more-sweeping reform bill, Senate Majority Leader George J. Mitchell, D-Maine, said he would set his plan aside and allow debate to begin on the Mainstream package when the Senate resumed work after its late-summer recess. Prospects for any health-care reform proposal this year look dim, however, because there would be little time to act before Congress' scheduled early October adjournment for the year to enable lawmakers to campaign for the November mid-term elections.

For the Mainstream proposal, offered by 20 Democrats and Republicans, time may not be as important a factor as the bipartisan group's nearly total failure to win significant support.

Nonetheless, the Mainstream group's proposal is still considered the only possible basis for health reform this year. The House hasn't even begun to debate the health plan proposed by Majority Leader Richard Gephardt, D-Mo. Democratic leaders have opted to let the Senate act first.

The group that drafted the Mainstream proposal is led by Sens. John Chafee, R-R.I., and John Breaux, D-La. Aides for both senators spent much of the two-week Senate recess meeting with aides from Mitchell's office in search of common ground.

In late August, Donna E. Shalala, secretary of health and human services, provided a flicker of hope that the president ultimately would accept a reform bill based on the Mainstream proposal when she declared that it deserved "serious attention."

Shalala offered her faint praise after attending a weekend meeting of the Jackson Hole Group, an ad hoc gathering of health-policy experts who have been influential in shaping various reform plans. The group concluded that reform based on the Mainstream proposal would be a major step in the right direction.

PHOTO: ©BRAD MARKEL—GAMMA LIAISON

Key members *of the Senate Mainstream Coalition seeking consensus on a health-care bill are, from left, Joseph Lieberman, D-Conn.; Herb Kohl, D-Wis.; Dave Durenberger, R-Minn.; John Chafee, R-R.I.; William Cohen, R-Maine; and John Breaux, D-La.*

The Jackson Hole Group is best known for advocating managed competition, a market-based approach to reform that would pool businesses into large buying groups and force insurers to compete for their business on quality and price.

"On balance, managed competition is alive and well in the Mainstream proposals," says Dr. Paul Ellwood, president of the Jackson Hole Group. "We will have made real progress" if it passes, but he adds that it would be just the beginning. "We will have to revisit this issue every year. But that is not illogical when you are tinkering with the largest industry in the world."

Although business favors the type of insurance market reforms in the Mainstream proposal, it also sees difficulties. The coalition opposing the Mainstream plan cites several major problems. The plan would:

■ Cause employers now providing in-

surance to drop coverage by imposing a new tax on "high-cost" plans and requiring employers who cover any full-time employee to provide coverage for all full-time employees. Full-time is defined as working at least 25 hours per week.

■ Prohibit self-insurance for all employers with fewer than 100 workers.

■ Require all employers to offer, but not pay for, at least three health plans and to set up payroll deductions to handle premium payments.

■ Create a federal health commission that would define coverage for standard and basic health-insurance plans available nationwide.

■ Allow states to set up single-payer health systems under which the state government would levy taxes to pay the medical bills of its residents.

■ Require that an employer who voluntarily buys insurance make the same dollar contribution toward the purchase of each worker's health plan, regardless of the plan picked or the employee's salary.

As time runs out for action this year, Clinton in late August offered what appears to be his new bottom line for signing a health-reform bill: "We must do something that will work."

Not many people think the Mainstream proposal would meet this test. NB

Highlights Of Senate Mainstream Coalition Plan

Goal: Universal access. At least 95 percent of all Americans would be covered by 2005. If that goal is not reached, a commission would submit recommendations to Congress, which would have to vote on an expedited basis. Congress is not required to take any specific action.

Employer Mandate: No mandate to buy insurance for employers or individuals. But employers would have to offer workers a choice of three plans, including one that would allow choice of doctors.

Benefits: At least two plan options: a standard plan equivalent to the Blue Cross and Blue Shield standard option plan, and a basic plan with fewer benefits or higher deductibles. The contents of each plan would be determined by a national commission.

Market Reform: Health plans would have to accept everyone who applied, and they could not deny, limit, or condition coverage for health reasons. Plans also would have to be portable and renewable. All companies with fewer than 100 workers would be able to buy community-rated insurance that adjusts for age. Individuals and small companies could purchase health plans through the Federal Employees Health Benefit Program.

Subsidies: Full premium subsidy for those with income below the poverty level, now $14,800 for a family of four. Those with income between 100 percent and 200 percent of the poverty level would get subsidies on a sliding scale. Pregnant women and children to age 18 would be eligible for subsidies up to 240 percent of poverty. Subsidies would be phased in from 1997 to 2004 only as funding became available.

Purchasing Cooperatives: Voluntary cooperatives could form to offer insurance plans. Participation would be limited to employers with fewer than 100 workers. Small firms could join a co-op in lieu of offering three health plans. Multiple co-ops could serve the same area. Co-ops would have no regulatory authority, and they would have to accept all individuals and small firms that applied. Existing association cooperatives and MEWAs (multiple-employer welfare arrangements) would be grandfathered.

Cost Containment: For the federal government, the plan contains a fail-safe provision that prevents deficit spending for new low-income subsidies. For business, the plan relies primarily on insurance-market reforms.

Taxes: Beginning in 1996, health benefits paid through flexible spending accounts would no longer be tax-exempt. Beginning in 1997, the employer deduction for health insurance would be limited to 110 percent of the cost of an average plan in the local market. Beginning in 2000, employees would be taxed on the cost of supplemental insurance policies paid for by their employers to cover co-payments and deductibles.

Deduction: The self-employed and other individuals who do not get insurance through employers would get a 100 percent deduction for the cost of health insurance; it would be phased in on a pay-as-you-go basis and would be subject to the 110 percent limit noted above.

Self-insurance: Would be permitted only for companies with more than 100 workers.

BUILT FORD TOUGH

INSURANCE

Lowering Costs With First-To-Die

This type of policy covers several company owners at the same time, and it's catching on with small firms.

By John S. DeMott

Brothers Raymond and Richard Shelton run R.L. Shelton Trucking Inc. in rural Virginia, employ about 35 people, and generate sales of $2 million annually. Their trucks carry furniture from manufacturers in the East to outlets in the Midwest and on the West Coast.

The Sheltons also have a form of life insurance that's catching on with small businesses. Called "first-to-die," the policy will pay $225,000 to the trucking company should either brother die. The payment would give the corporation money to buy the deceased person's interest in the business.

The Sheltons had been carrying two $50,000 policies and paying about $2,000 a year in premiums. When they bought their first-to-die (FTD) policy, their premium did double—to $3,922—but their coverage jumped by 4½ times.

PHOTO: T. MICHAEL KEZA

One policy for two: *Trucking-company executives Richard, left, and Raymond Shelton have first-to-die insurance.*

The brothers also could have bought a form of insurance called "key person" (see "Key People, Key Protection," March 1993), but that would have been more expensive. Key-person protection is usually just that—coverage of an individual whose loss could endanger the survival of the company. First-to-die policies by their nature cover two or more people and assume the continuing presence of other capable managers. The choice between the two types of coverage is made by the company on the basis of expected need.

A third category is "second-to-die" or "last survivor" coverage, which is frequently used to give a business liquidity to pay estate taxes after the death of the widow or widower who had inherited the firm from a spouse.

Charles Daniel, an agent for the New England Mutual Life Insurance Co. of Boston, who had sold the Sheltons insurance for years, sold them their FTD policy when New England was approved to write this coverage in Virginia in June 1993.

As a single policy covering multiple lives, FTD pays when the first covered person in a group dies. Insurers can offer it for less money than other forms of life insurance, largely because of reduced administrative costs. The actuarial figures are complicated, but generally it's about 30 percent cheaper to insure eight people collectively for $8 million under a first-to-die policy than it is to issue eight separate policies for $1 million apiece.

Under an FTD contract, the surviving partners have the option of renewing the policy within 60 to 90 days without having to prove their insurability, even after the passage of many years when the health of one partner may have deteriorated. Any other person who is added to the policy, however, must pass medical muster. (If the newcomer is rejected, the agent might be able to find another carrier that would accept the risk.)

In the case of small businesses, which insurers see as a major market for first-to-die policies, the proceeds from the policy can be used to buy out the deceased partner's share of the business.

In small corporations like R.L. Trucking Inc., the corporation pays the FTD premium on behalf of the insured executives. It then collects the payout upon the death of either of them, free of federal income taxes—like any other payout of insurance benefits.

A national survey in 1992 by the Tillinghast unit of the New York-based Towers Perrin consulting firm found that 11 companies had sold 4,700 FTD policies for $13.8 million in premiums. A follow-up study this year found 20 companies had sold 8,100 such policies for $24 million in premiums.

Craig Wilkey, a consultant for New England Mutual Life, attributes the rising sales of FTD to price consciousness and a greater competitive drive within the insurance industry. "There's a little more pressure on the agents and the industry itself," he says, "to give people a product that gives greater perceived value."

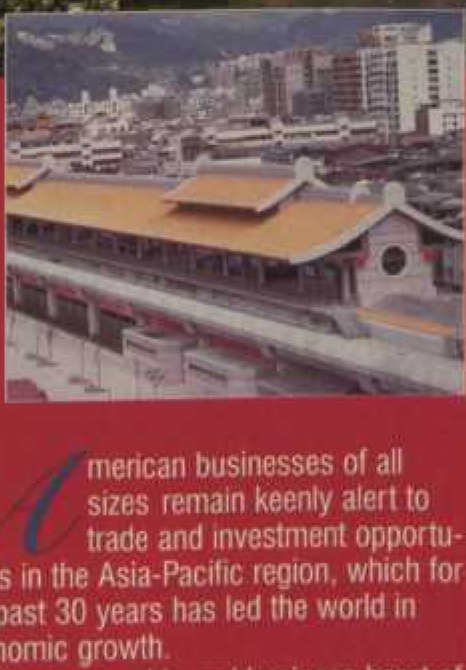
Allan Hancock of the Allan Hancock Agency in Altoona, Pa., incoming president of the National Association of Life Underwriters, sells the first-to-die policies of the Principal Financial Group, in Des Moines. "I'm designing a case for it right now," he says. "A partnership. Two business owners who own a shopping center together. $500,000. It's absolutely ideal for a lot of situations. I love it."

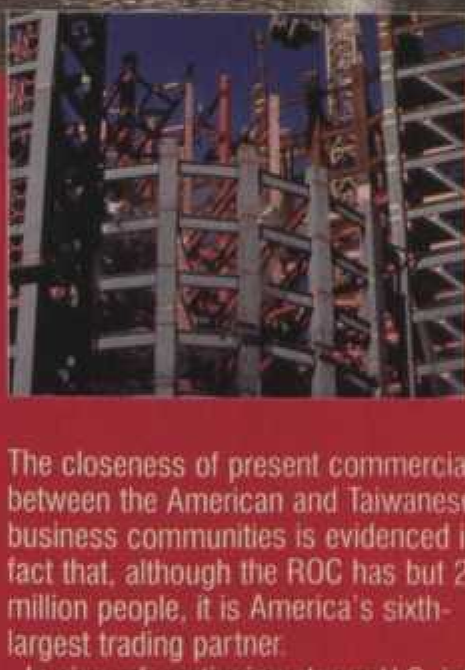
In March, CNA, based in Chicago, began offering a first-to-die policy called Co-Life. Bob Miller, assistant vice president of Co-Life distribution, says the product offers the comprehensiveness of two individual policies "while lessening the cost significantly." New England Mutual Life's version, called First Provider, is sold in all but three states.

One complex version of First Provider uses riders to reflect each executive's value to the firm. If Executive A dies, the policy would pay, say, $350,000. But Executive B's death would bring only $150,000. In another version, there are minimum and maximum premium amounts that a company can pay each year, so it can effectively reduce premium payments in bad economic times.

The appeal of FTD coverage is also assisted by technology. Tillinghast consultant Larry Stern, in Hartford, Conn., suggests that it's a bit of a trick to offer a life policy on a group of people, and he says that the industry did not have the capability to keep track of more than two people on one policy until the late 1980s. Now, computers allow this with far greater ease, contributing to FTD's new popularity. NB

Taiwan
Republic Of China





American businesses of all sizes remain keenly alert to trade and investment opportunities in the Asia-Pacific region, which for the past 30 years has led the world in economic growth.

At the geographic and business heart of that region is the Republic of China on Taiwan (ROC). Taiwan is situated on the doorstep of central and southern mainland China, with its 1.2 billion consumers, and midway between the vibrant economies of Japan and South Korea on the north and the emerging economies of the Philippines and Vietnam on the south.

The closeness of present commercial ties between the American and Taiwanese business communities is evidenced in the fact that, although the ROC has but 21 million people, it is America's sixth-largest trading partner.

In view of continuing strong U.S. interest in the ROC as a business destination, Mou-Shih Ding, representative of the Coordination Council for North American Affairs' office in the U.S. and the ROC's de facto ambassador, responds on the following pages to questions that he is frequently asked about foreign investments and political affairs in his country.

The ROC tops many well-respected lists of desirable places to invest. Why is Taiwan such an attractive home for foreign investment?

The ROC on Taiwan is, indeed, very attractive to foreign investors. Business Environment Risk Intelligence (BERI), a private-sector research organization, consistently ranks Taiwan among the very top countries in investment environment. And according to BERI's five-year forecast of Profit Opportunity Recommendation (POR), in which it compares the investment outlook of all nations, the ROC is No. 2 in the world in terms of favorable business climate.

The ROC is attractive first and foremost because of its economic strength. People around the world are familiar with our economic success story. In the space of three decades, we were able to transform ourselves from a mainly agrarian community into a highly productive, consumer-oriented society on a par with enterprising countries in the West. Our gross national product was $210 billion at the end of 1993, 20th-highest in the world. Per-capita income increased from $150 in 1950 to $10,570 in 1993 and is expected to reach $20,000 by the year 2000. We are now the world's 13th-largest trading nation and the sixth-largest trading partner of the U.S. Our foreign-exchange reserves now stand at almost $90 billion, ranking second globally.

Furthermore, we are maintaining a high level of economic growth. Our GNP growth over the past four years has averaged 6 percent per year and is expected to remain at close to this level. At the same time, the economic growth of the ROC has been balanced. We have managed to keep inflation and unemployment under control; disparities in income distribution have remained among the lowest in the world.

Recently, we have been making a successful transition from manufacturer of low-tech items, such as textiles, toys, and footwear, to producer of high-tech products like computers and fiber optics. In fact, more than half the world's personal-computer components are made or assembled in Taiwan, including 70 percent of all motherboards and 80 percent of computer mice.

Ambassador Mou-Shih Ding

A second crucial factor is political stability. Seven years ago, the ROC commenced a peaceful transition to full democracy. All members of its representative bodies have been popularly elected within the past two and a half years, and a multiparty political system has taken root. We often refer to our democratization as the "quiet revolution," because it has proceeded gradually and smoothly.

Our ultimate goal is to create a system in which private entrepreneurship, national prosperity, and democracy can continue to flourish. In this way, we can ensure that the ROC remains a top choice for foreign investors for decades to come.

Why is the ROC a more desirable investment destination than neighboring nations, especially mainland China with its extremely low labor costs?

The ROC has a solid economic foundation that includes vast amounts of capital, a large number of experienced entrepreneurs, a well-developed industrial system, and a comprehensive external economic and trade network.

Mainland China may have low-cost labor, but the ROC labor force is far better educated and more highly skilled. For example, 93 percent of our population is literate, and more than 11 percent have higher education.

Our infrastructure is also superior to that of the mainland and many other countries in the region, and we are now in the process of making major infrastructure improvements. Our Six-Year National Development Plan, set for completion in 1996, has a budget of $223.7 billion. Top priorities include improving our transportation and telecommunications systems and constructing industrial and commercial parks.

Economic liberalization is yet another advantage for potential investors. In 1990, we applied for membership in the General Agreement on Tariffs and Trade (GATT) as a developed economy. In preparation for accession to the GATT, which we expect to gain in the near future, we have been liberalizing our economy to bring it into line with international standards. We have lowered tariffs and opened our financial industries to foreign investment. We have also greatly strengthened protection for intellectual-property rights.

The Office of the U.S. Trade Representative has recognized our efforts in this regard by removing Taiwan from its Priority Watch List under the Special 301 provisions of the 1988 Omnibus Trade and Competitiveness Act.

In what industries would the ROC government especially like to attract foreign investors? What's behind those choices?

I am pleased to say that U.S. business is already heavily involved in the fields of pollution control, automated production equipment, computers, telecommunications, household furnishings and appliances, transportation, high-tech instruments, petrochemicals, and processed foods. We would be happy to see even more U.S. involvement.

As I noted, we are currently implementing our Six-Year National Development Plan, which consists of 632 projects. We are particularly interested in attracting foreign investment in the areas of transportation and communication, environmental protection, energy, and medical care. In fact, these are four areas in which the U.S. is very competitive.

Of the total budget for the six-year plan, nearly one-third, or $72.2 billion, will be spent on transportation and communication projects. Energy-related projects will account for 9.6 percent, or $20 billion, and environmental-protection projects for 4.3 percent, or $9.6 billion.

We have also set aside $2.46 billion for improving medical-care facilities and services.

By the end of 1992, some 30 U.S. companies had won nearly $1.2 billion of six-year-plan contracts in Taiwan. We hope to see a continuation of these trends.

The ROC is among the world's richest nations and has many very economically healthy companies. Where are these Taiwan companies investing now, and is there opportunity for U.S. investors to piggy-back?

ROC businesses have established extensive economic links in Malaysia, Thailand, Indonesia, Vietnam, the Philippines, and mainland China. Trade between Taiwan and Thailand, Malaysia, Singapore, Indonesia, and the Philippines topped $16.7 billion in 1993, with a $2.3 billion surplus in Taiwan's favor. These ties make the ROC extremely valuable to U.S. companies as a springboard for investing in the fast-growing Asia-Pacific region.

In 1993, we were the world's second-largest investor in mainland China. Our estimated cumulative indirect investment in the mainland is between $6 billion and $10 billion; annual indirect trade between Taiwan and mainland China is estimated at $15 billion. Though the level of economic exchanges remains high, many companies are finding that investing in mainland China carries significant risks.

Mainland authorities have not been able to protect Taiwan investments adequately. In March of this year, 24 tourists from Taiwan were murdered at the Thousand Island Lake resort. Mainland authorities have yet to clarify this incident in a satisfactory manner.

There are indications that Taiwan investments may be slowing down as a result of these concerns.

As a counterweight to the heavy investment in the mainland,

Developing The Republic Of China As A Regional Operations Center

The Republic of China on Taiwan has built up substantial economic might after several decades of rapid economic development and has been enjoying rising status in the eyes of the world. We are proud of this success, but we do not intend to settle back and rest on our laurels.

We have cast about for the most suitable way to employ our hard-won economic power and continue our forward momentum; and so it is that we wish to take on a more active and more constructive role in the Asia-Pacific region and apply the full weight of our resources to promoting the prosperity of this region.

Therefore, to put ourselves in the best position to achieve these aims, our government has made it a key policy to develop Taiwan into an Asia-Pacific regional operations center. We are, in consequence, stepping up the process of liberalizing and internationalizing our economy; and we are opening the way for people, goods, capital, and information to flow freely to and fro across our borders. By maximizing the advantages of our unrivaled strategic location, we will turn our island into an ideal base for multinational companies eager to engage in trade and investment in the booming markets of East Asia, including that of mainland China.

At the same time, we will also act as an intermediate link in the division of labor between the developed and the developing countries.

Premier Lien Chan

We believe that Taiwan is exceptionally well-qualified to become an Asia-Pacific regional operations center. In addition to our excellent geographical location, we are in possession of a strong manufacturing base, a vibrant domestic market, a highly skilled work force, huge foreign-exchange reserves, a far-reaching and well-established trade network, and very close cultural links—not just with mainland China but also with countries throughout East Asia.

Once we have completed the task—already well advanced—of improving all the necessary software and hardware facilities, we believe that multinational companies will find us unsurpassed as a gateway to the Asia-Pacific market. And we believe, also, that the other members of the region will find in us the perfect partner for cooperation in their economic-development plans.

We are already drafting detailed plans for the concrete measures that will set us up as an Asia-Pacific regional operations center. These will be framed broadly enough to enable us to take on a wide range of functions: manufacturing center, air-transportation hub, sea-transportation hub, financial center, telecommunications center, and a media center. All of the preparatory work is expected to be completed by mid-1995. And the program will then be ready for implementation.

As a member of the Asia-Pacific region, we believe that our plan goes much farther than simply setting up the next phase of our economic transformation: we believe that it will also be the catalyst for a heightened degree of economic cooperation between ourselves and the other countries of the region.

We wholeheartedly welcome our international partners to play an active part in this plan, so that we can join forces in developing the Asia-Pacific market.

Side by side and arm in arm, we will create a brighter economic outlook for the entire region.

Chan Lien

Lien Chan
Premier
Republic of China on Taiwan

Dr. Lien Chan was governor of Taiwan Province in February 1993 when he was nominated as premier by President Lee Teng-hui.

This nomination was confirmed by the legislature, the Yuan, after intensive hearings.

Dr. Lien, 58, is a native of Tainan City, Taiwan Province. In 1953, he was admitted through highly competitive examinations to the Department of Political Science at National Taiwan University.

In 1959, he went to the United States to pursue advanced studies at the University of Chicago, where he earned a master's degree in international law and diplomacy in 1961 and a doctorate in political science in 1965.

Responding to the Republic of China government's call on overseas scholars to return to Taiwan for public service, Dr. Lien became a visiting professor at the Department of Political Science at his National Taiwan University in 1968.

He was named to the chairmanship of that department and the Graduate Institute of Political Science the following year.

In 1975, Dr. Lien was appointed as the ambassador of the Republic of China to the republic of El Salvador. A year later, he was reassigned as director of the Department of Youth Affairs of the Kuomintang's Central Committee.

He was promoted to deputy secretary-general of the KMT's Central Committee in 1978. A few months later, he was appointed chairman of the National Youth Commission of the Executive Yuan.

Then, as minister of transportation and communications from December 1981 to May 1987, Dr. Lien successfully tackled the complex and difficult issues of communications in Taiwan by launching many innovative programs.

His epoch accomplishments included the establishment of global shipping lanes and air routes as well as the construction in Taipei City of an underground railway network and a modern train station.

Dr. Lien was appointed vice premier in 1987 and was named to the post of minister of foreign affairs in 1988. During this period, he presided over the Environmental Protection Commission, commanded the Hongkong and Macao Affairs Task Force, chaired the ad hoc committee on studying and revising the Organic Law of the Executive Yuan, and also drew up numerous master plans for the administration.

Dr. Lien was appointed governor of Taiwan Province in June 1990, serving until he assumed the premiership last year.

the ROC government is encouraging businesses to "Go South" and invest in the fast-growing economies of Southeast Asia. The ROC already is among the top sources of foreign investment in this region.

We are the second-largest foreign investor in Malaysia, with \$5.9 billion. We are the fourth-largest in Thailand, with \$4.5 billion, and also the fourth-largest in Indonesia, with \$4 billion.

And our \$1.5 billion worth of investments in Vietnam makes us the largest foreign investor in that country.

The ROC government is encouraging U.S. investors to take advantage of these trends by forming joint ventures or other arrangements with Taiwan firms to do business together in Southeast Asia—to "piggyback."

The successful conclusion of the GATT round and the recent economic integration of the European Community and North America seems to signal new enthusiasm for regional cooperation.

Are economic ties getting closer in the Asia Pacific region in the absence of a political consensus? If so, what is the ROC's likely role in a more economically coordinated region?

As many are aware, the Asia-Pacific region is increasing in economic importance. The economic power of this region is unmatched in the world. For more than three decades, from 1960 to 1992, the average annual growth rate for Asia-Pacific nations was above 4.5 percent. It seems entirely possible that this region could become a center of gravity for the entire world economy by the 21st century.

In many respects, the current trend is toward increasing cooperation within the Asia-Pacific region. Economic ties of trade and investment between Taiwan and other countries and areas in this region are growing rapidly. In addition to mainland China and the Southeast Asian countries mentioned above, Taiwan maintains extensive ties with Japan. Last year, our trade with Japan reached \$32.2 billion.

In contrast to other regions, all the Asian-Pacific economies depend on foreign capital, technology, and markets. Also, the development models followed by these countries differ greatly. Therefore, it would not be feasible for us to form a highly integrated, closed, regional trading system. The ROC and, I believe, all the Asian-Pacific countries can benefit most from a free and open global trading system.

As for the future role of the ROC in the regional economy, our goal is to build Taiwan into an Asian-Pacific operations center. We want to encourage foreign enterprises and local companies to use Taiwan as a base from which to pursue their interests in the region.

These might include manufacturing, product development, repair and maintenance, cargo and passenger transshipment, warehousing and distribution, financial services, telecommunications, and personnel training.

We are already equipped with centers for transportation, telecommunications, finance,

manufacturing, product development, and personnel training. We are located on the doorstep of mainland China's coastal provinces, midway between the dynamic economies of Japan and South Korea and the emerging economies of Southeast Asia.

Our businessmen have extensive ties to businesses throughout Asia and share a cultural and linguistic heritage not only with people in mainland China, Hong Kong, and Singapore but also with overseas Chinese communities throughout the region.

A number of large multinationals have already signed strategic agreements with our Ministry of Economic Affairs to set up regional operations in Taiwan.

General Electric, AT&T, Microsoft, Westinghouse, Ciba-Geigy, Motorola, and Philips are just a few examples. We sincerely hope that others will soon follow suit.

Many Americans are not aware of the profound political transformation of the ROC the past several years. Could you briefly describe changes in the political structure of your country and discuss the likely political system in Taiwan at the start of the next century?

Over the past seven years, the ROC has undergone a dramatic process of democratization. Our citizens' rights of free speech, assembly, and petition today are virtually unrestricted. We have amended our constitution to allow the development of fully democratic institutions. All members of our nationally representative bodies have been freely and democratically elected within the past two and a half years. In fact, opposition party members comprise nearly one-third of our national legislature, the Legislative Yuan.

At the end of this year, we plan to hold elections for the governor of Taiwan and the mayors of Taipei and Kaohsiung, all of whom were appointed in the past. And by the end of 1995, we hope for the first time to elect a new president by direct, popular vote.

One remarkable thing about this transformation is that we have achieved it while maintaining a high degree of political stability and economic growth. We have succeeded in avoiding both the social upheaval and the economic disruptions that have plagued so many other countries undergoing political liberalization.

The process of democratization has not ended with institutional reform. Rather, reform has helped to ensure further progress by creating opportunities for the airing of diverse views. I expect that by the turn of the century, the multiparty character of our political system will be even more pronounced. Competition within and between political parties will have increased, and the media will play an increasingly important role in politics.

What has been the ROC's involvement to date in multilateral international organizations?

We participate in a number of

multilateral groups, including the Asian Development Bank, the Pacific Basin Economic Council, the Pacific Economic Cooperation Conference, the Asia Pacific Economic Cooperation forum, and the International and Asian Olympic games. As I mentioned previously, we applied to the GATT in 1990, and accession is expected before long.

We are also making bilateral efforts to assist other nations in their economic development. In 1986 we established an International Economic Cooperation and Development Fund, for which a total of $1.15 billion was allocated.

The ROC has been anxious to rejoin the United Nations. What are the arguments still being made against membership? What is your response to these? What in your view are Taiwan's prospects for membership in the near future?

As you know, the Republic of China was a founding member of the United Nations in 1945 and served for 25 years as a responsible permanent member of the U.N. Security Council. Twenty-three years ago, in October 1971, the U.N. General Assembly adopted Resolution 2758, which permitted Peking to occupy China's seat in the United Nations. As a result, my government was compelled to withdraw from that organization under the circumstances that existed at the time. The 1971 U.N. action did not, however, resolve the issue of China's division. In fact, the issue of representation for the 21 million Chinese people on Taiwan must still be addressed, as the Chinese communist authorities have no right whatsoever to represent those interests.

For many, many years, those authorities have sought to isolate us from the international community in an attempt to forcibly reunify China on Peking's terms. But the United Nations and its members have no obligation to help Peking advance its own narrow political agenda.

At present, the ROC's lack of membership in the U.N. prevents us from supporting that body's humanitarian missions, its specialized organizations, and its unique agreements. For the same reason, the people on Taiwan have no voice in the accords and activities that shape international policy. This state of affairs unjustly infringes upon the fundamental rights of our people, and is a disservice to the global community.

The U.N. Charter promotes the concept of universality. The institution's goals, and its means for achieving those goals, depend upon the broadest possible cooperation internationally.

The ROC's participation in the United Nations would enhance that organization's relevance in today's environment. We believe it would also lend credibility to the body as a truly representative global forum. And it could significantly bolster its assets.

My government would be prepared to make fair and equitable contributions to the United Nations' resources and its international missions.

My country's bid for participation does not challenge the Peking authorities' place in the United Nations but simply asks for a recognition of reality and fairness by the world community for the 21 million people of the Republic of China on Taiwan.

We ourselves acknowledge that our jurisdiction does not currently extend to the Chinese mainland, just as that of the Peking authorities does not extend to Taiwan.

While we are firmly committed to the eventual reunification of China, we are entitled in the interim to equal representation in international organizations like the U.N. Our participation would not perpetuate or institutionalize the present de facto division of China; the precedents already set by U.N. membership of East and West Germany prior to unification and by North and South Korea refute that notion. To the contrary, our simultaneous involvement in this and other international forums will actually help facilitate communication and cooperation across the Taiwan Strait. This, too, serves everyone's interests.

The ROC is determined to gain U.N. participation, but we recognize that our options for action are limited under the present circumstances. Success will depend very much on the leadership of major nations within the organization, like the U.S., whose endorsement or consent will facilitate acceptance by the general U.N. membership.

To date, our bid for U.N. participation has garnered increasing support among the U.S. media, as evidenced by an editorial in *The New York Times* on July 17.

A number of U.S. congressmen have also voiced their support. One recent example is a House Committee on Foreign Affairs subcommittee, which on July 14 discussed this subject specifically.

We appreciate the support of our friends in this country, and we sincerely hope that all parties will summon the courage and political will necessary to address this issue in a wise and just manner.

Partners In Exporting

Small companies and state trade offices are teaming up to nail down export opportunities.

By Roberta Maynard

Two years ago, Ronald G. Fink had no intention of exporting his environmental products to Asia. His West Palm Beach, Fla., company, RGF Environmental Group, was seven years old and had been growing strongly when Fink was invited to participate in an environmental trade mission to Taiwan and South Korea.

The invitation came from Ray Reddish, senior management analyst at Florida's commerce department, who heads its environmental trade program. Reddish persuaded Fink—and nine other Florida CEOs—to take the trip.

PHOTO: [illegible]

Exporting to the Pacific Rim *has expanded sales for RGF Environmental Group, says Ronald G. Fink, right, president. With him is Dale A. Birosh, engineering director for an affiliated firm.*

In one week, Fink met with 64 potential distributors lined up by Reddish. Within a few months, orders began pouring in for his water-treatment and other systems.

During the next 18 months, Fink hired 14 employees just to handle his Pacific Rim business. He estimates revenues resulting from that visit have reached $1 million. This year, after two more trade missions, he expects that figure to double. The first mission cost RGF only $3,000, thanks to a grant Reddish arranged. To make the trip on his own, handling all of the preparatory work himself, would have cost more than $15,000, Fink says. "I had some degree of skepticism of the value of both federal and state programs to business," he says. "But they made it so enticing that I went, and I'm glad I did."

Reddish began the program two years ago when he saw the potential for a good match between Florida companies selling environmental products and Asian companies trying to comply with newly enacted environmental laws. After sending inquiry letters to 864 Florida companies and receiving 600 enthusiastic replies, he knew he was on the right track.

The environmental program is only one of many trade-related initiatives in Florida and one of hundreds of different state programs across the country.

The 1980s was a decade of explosive growth for export promotion on the state level. Even with a period of tighter budgets in the early '90s, spending on export promotion is substantially higher now than it was 10 years ago. (See the chart on Page 59.) In 1980, the average amount spent by states on export promotion was under $500,000. By 1990, it was more than $2 million.

That was partly a result of a sea change. Rather than concentrating their efforts on attracting new companies to the state, as they had in the past, states started paying more attention to retaining their existing companies. One way was to help them explore new markets.

In states' overseas offices from 1988 to 1992, staff time spent on attracting foreign direct investment decreased to 29 percent from 53 percent, while time spent on trade development increased to 61 percent from 39 percent, according to the National Association of State Development Agencies (NASDA), in Washington, D.C.

Since then, state trade offices have developed and refined their expertise in helping small and midsize companies export. "States are offering more and more hands-on information to help businesses complete export transactions and to help more with financing," says Miles Friedman, NASDA's executive director. "The feeling is there is unlimited potential for smaller companies."

States offer a wide variety of export-related programs. NASDA's last survey of states, in 1992, showed that 28 state trade offices published newsletters dedicated to international trade. More than half participated in mentoring programs linking companies that are new to exporting with firms that are veterans in selling overseas. Many states published exporter directories and held seminars for businesses. Virtually all had a trade-lead matching program. And 40 states operated a total of 137 overseas offices in 18 countries.

That same year, state officials attended an average of 5.8 overseas trade shows, organized 2.5 trade missions, and participated in 4.9 catalog shows.

Thirty-one states provided financial assistance to companies that wanted to attend trade shows but couldn't afford to. Last year, for example, Pennsylvania gave a $2,500 grant to Gulden Ophthalmics, in Elkins Park, Pa., which allowed its president to attend a major medical trade show in Germany.

About 30 states offer financial help, in the form of loans, loan guarantees, insurance, or counseling. Twenty states provide working-capital loans, guarantees, or

CHART: ALBERTO PACHECO

both. Through its loan guarantee program, the California Export Finance Office, by far the largest, supported exports valued at $180 million in 1993.

Minnesota, another strong finance supporter, backed 11 loan guarantees last year for $2.6 million in exports, and the state provided technical financial assistance and counseling to an average of 34 companies a month.

States also tap and make available to businesses information from the federal government, such as the National Trade Data Bank, with monthly trade data from 15 agencies, which is used by 45 states.

Even states with comparatively small budgets have aggressive programs. Idaho, with a staff of five in its international-business division, last spring took several companies on a trade mission to Asia. The state has two staffed offices—one in Taiwan and the other in Mexico—that it shares with the state agriculture department. Private firms represent the state in Japan and South Korea.

Partnerships allow states to expand their services even further. Earlier this year, for example, Idaho participated in a U.S. Department of Commerce multistate program that allowed 34 Idaho companies to be represented in Latin America. The effort resulted in an average of 35 leads for each company.

The demand for export help in Idaho has grown rapidly since the division was formed in 1987, says David Christensen, administrator of Idaho's Division of International Business, and he expects business to increase even further. "There are 28,000 companies in the state," he says. "Only 1,000 export, but we believe that 5,000 have exportable products. So we have a long way to go."

Morse-Starrett Products Co., in Meridian, Idaho, is one of those exporters. Its senior vice president of sales, Sue Paul, has been working closely with the state trade office for the past three years since she decided to pursue overseas markets aggressively for the hydraulic cable cutters and other products made by the family-owned company.

"I attended a seminar in Boise on exporting," she says. "From there, I discovered what an incredible resource the state is. They provide market information, have a resource library, hold very reasonably priced seminars. They bring visitors from other countries to visit Idaho companies."

For $200 to $400, Paul says, she can send her company's brochures to missions and shows attended by state staff members. "They've been like a partner to us," she says. "All they want is to see us succeed." The company *has* succeeded. In three years, its exports have gone from 10 percent to 25 percent of its annual revenues of just under $2 million.

States have every reason to pursue such success as they try to build a name for themselves and their local products and services. As John Gormley, partner in the engineering and environmental consulting firm of Knight Piesold and Co., in Denver, explains, "If one company can get [its] foot in the door, that provides opportunities for others to follow."

Gormley won a state-sponsored competition held to identify Colorado companies that could provide technology for mineland reclamation and coal-waste recovery in Russia. The result was a long-term trade relationship between Gormley's firm and a large Russian company.

When InfoGraphix Technologies, Inc., a small, new firm in Atlanta, needed help getting to overseas markets, it turned to Georgia's trade office. The company offers a digital system for large-format graphics for advertising and other appli-

cations. As a niche product, its best chances were at an international computer trade show, particularly this year, when the market for the firm's product has been so hot.

But the two-year-old company couldn't afford to attend such a show. Then, company executives discovered that the state's trade office was taking 16 Georgia companies to CeBIT, a major computer trade show in Germany. The state booked 16 booths, which resulted in a favorable rate, and resold them to the participating companies.

The Georgia companies' location on the exhibit floor was excellent because of the state's longtime participation—12 years—in the show. The state also saved the companies money by negotiating discounts for airline tickets and housing costs for the eight-day stay.

"The trip would have cost us $50,000, and we couldn't have gone," says Genevieve Tondi, director of sales and marketing. "But we took advantage of Georgia's package program, and six of us were able to go for $20,000."

Tondi says she expects the company's participation in the show, over the 12 months since the show was held last March, will result in $500,000 worth of direct business and as much as $2 million in indirect business. The company's employee count as of July was 33, up from only five a year earlier.

Meanwhile, the state continues to help InfoGraphix in other ways—for example, by checking the credentials of overseas representatives and distributors.

Georgia's trade office has a somewhat unusual approach to working with companies, says Kevin Langston, director. "At the beginning, like many other states, we tried to do everything," he says. "Now, we're trying to match foreign representatives with Georgia companies that are ready to go to market. We don't offer financing help, counseling, documentation, or the how-to type of information." Firms needing basic help are referred to other sources, he says.

"The main thing has been the recession and budget cutting of the late '80s and early '90s," Langston says. "We really had to learn to do more with less. That forced us to focus on what we can do well. So, it was not entirely a bad thing."

Unlike Georgia, Minnesota focuses heavily on education for new exporters. The trade office, headed by Claudia Liebrecht, offers training programs and seminars throughout the state, from breakfast briefings on selecting a distributor to daylong programs on China.

In a year, Liebrecht's staff reaches about 5,000 people. The state has representatives in 10 offices in Asia and Europe. Some of her staff of 15 spend their time calling on Minnesota businesses. Others specialize in the major state industries or top markets and are available to talk with companies that call with questions about exporting.

Ohio is also finding ways to help companies that are new to exporting, including an innovative new program aimed at small companies that may have great products but lack resources to become exporters. A not-for-profit private entity with state funding will provide a manager on loan for two to three years to act as the company's export arm while teaching the company how to export. Each manager will have five to 10 accounts and relevant industry experience. The cost will be about half that of a private exporting consultant.

Ohio also provides a tax credit for companies that increase export sales if they also increase either Ohio payroll or Ohio capital expenditures.

Just how many small and midsize companies enter international markets as a result of state programs isn't known. It's a problem that troubles many states, particularly because they know that legislators like to see definitive results when allocating funds for programs.

Few states consider their tracking systems to be as precise as they would like. Idaho counted 4,000 inquiries last year but finds it difficult to know if a trade lead it provided resulted in an ongoing trade relationship. Computing the value of that relationship to the state is even tougher, unless a company meets with the kind of dramatic success that Ron Fink, in Florida, enjoyed.

As states grapple with ways to improve in this area, they are making increasing use of computers and ongoing surveys of businesses they have worked with.

Notwithstanding the growing numbers of exporters they serve, Minnesota's Claudia Liebrecht says that many companies still aren't aware of state export services, partly because most states can't afford to advertise their programs.

"As busy as we are, we are a well-kept secret," Liebrecht says. "When people do find us, they are amazed at how much information we have. We find that companies have often been struggling for months or perhaps years trying to get information and help that we can provide."

Moreover, states readily acknowledge that sometimes business is just plain dubious about how much help a government office can provide. Says Georgia's Langston: "We have to overcome companies' prejudice about government programs. The hardest part of what we do is not finding markets, but convincing companies here that we can help them." NB

To order a reprint of this story, see Page 89.

1993 U.S. Merchandise Exports

(Exports of services are not included. All dollar amounts are in billions and have been rounded.)

1. California	$62.3
2. New York	36.5
3. Texas	34.2
4. Washington	27.1
5. Michigan	24.3
6. Illinois	19.7
7. Ohio	17.2
8. Florida	13.7
9. New Jersey	13.6
10. Pennsylvania	12.8
11. Massachusetts	10.9
12. Connecticut	9.9
13. Minnesota	9.5
14. Indiana	8.3
15. Virginia	7.9
16. North Carolina	7.7
17. Oregon	5.9
18. Tennessee	5.4
19. Georgia	5.8
20. Wisconsin	5.6
21. Colorado	5.5
22. Missouri	4.7
23. District of Columbia	4.5
24. Puerto Rico	4.2
25. Arizona	4.2
26. Delaware	3.4
27. Kentucky	3.3
28. South Carolina	3.1
29. Louisiana	3.0
30. Kansas	3.0
31. Maryland	2.6
32. Alabama	2.4
33. Oklahoma	2.3
34. Utah	2.0
35. Iowa	1.9
36. Nebraska	1.7
37. Vermont	1.2
38. Idaho	1.2
39. Arkansas	1.0
40. Maine	1.0
41. New Hampshire	1.0
42. Rhode Island	0.9
43. Mississippi	0.8
44. Alaska	0.8
45. West Virginia	0.7
46. Nevada	0.5
47. New Mexico	0.4
48. North Dakota	0.3
49. Montana	0.2
50. South Dakota	0.2
51. Hawaii	0.2
52. U.S. Virgin Islands	0.2
53. Wyoming	0.1
Total:	$401.2
Estimated shipments and unreported shipments*	$ 38.0
Re-exports*	$ 25.6
Total U.S. Merchandise Exports	$464.8

*No state-by-state breakdowns available.

SOURCE: BUREAU OF THE CENSUS, FOREIGN TRADE DIVISION

Small-Business Computing

Archiving business cards with ease; an information manager for Windows; navigating the Internet.

By Albert G. Holzinger

HARDWARE

What You Get Is What You See

ILLUSTRATION: WILLIAM COULTER

Most business people have used PCs for several years or more, so they've learned the importance of adequate processing speed, memory, storage capacity, and other computer capabilities. Yet many still are unsure what features are important in a monitor, even though the size and quality of this component can markedly affect comfort, productivity, and health. And no wonder confusion remains widespread.

Monitors of each size look similar in computer stores' displays, and the explanatory literature accompanying the equipment is frequently littered with jargon, cryptic specifications, and mysterious acronyms. The following brief explanations of key issues and terms regarding monitors should help you when you make your next purchase.

Size. Monitors, like TV sets, are measured diagonally. A 15-inch monitor should be adequate for general business tasks, such as word processing and accounting, but if you can afford it, choose a 17-inch model—it's easier on the eyes. If you regularly perform desktop-publishing or related graphics duties, consider a 19-inch or even a 21-inch monitor.

Many monitors of each size now have flat, square screens, which, as implied, are less curved than conventional models. A result is somewhat reduced distortion, especially at the screen edges. But monitors like these aren't worth a substantial premium.

Resolution And Dot Pitch. Resolution refers to a monitor's capacity for displaying pixels (short for picture elements), which are minute spots of colored light. Resolution is expressed as two numbers: The first is usually the monitor's horizontal capacity, the second is its vertical capacity. The higher the numbers, the crisper the letters and graphics displayed.

Common resolutions are 640 by 480, referred to as VGA (Video Graphics Array), 800 by 600, and 1,024 by 768 (the latter two are referred to as SuperVGA). We suggest buying a multifrequency monitor, which can accommodate a wide range of resolutions, depending on factors such as your software and video card.

A monitor's dot pitch refers to the shortest distance between two pixels of the same color; the shorter the distance, the better. We recommend monitors with a 0.28-millimeter dot pitch, which produce sharper pictures than "bargain" monitors with a dot pitch of 0.31 mm or 0.39 mm.

Interlaced/Noninterlaced. An interlaced monitor takes two passes to draw a full screen of text or images: The odd-numbered rows are drawn on the first pass; the even-numbered on the second. An interlaced monitor can flicker annoyingly if you look at it for long periods.

A noninterlaced monitor (abbreviated NI) draws the screen in a single pass and is easier on the eyes.

Interlaced monitors are easier to build and, therefore, cheaper, but for business use, a noninterlaced monitor is worth the additional cost.

Radiation. Several years ago, Sweden's labor department set a standard, now adopted internationally, for the maximum amount of electromagnetic radiation a monitor can emit. For safety's sake, we suggest buying a monitor that meets this MPR-II standard.

Not all monitors sold in the United States meet this standard. Moreover, because radiation emissions decline dramatically over even short distances, we recommend sitting no closer than arm's length from a monitor.

A Portable, Affordable Business-Card Reader

Collecting business cards has its pros and cons: Cards from suppliers, distributors, customers, and others can contain information of potential future business value, but organizing card data for easy access can be tedious and time-consuming.

The traditional method of archiving cards is to file them in transparent vinyl sheets and store the sheets in loose-leaf notebooks, but this system precludes quick searching and sorting. A popular high-tech solution requires transferring card information into a spreadsheet or data-base program, which is easy to

HARDWARE

search, but typing the information in is labor-intensive.

Devices capable of automatically converting text on business cards into a computerized data base have been available for several years, but early models had shortcomings, including a prohibitively high price.

Now, from UMAX Technologies Inc., a company that has a reputation for value pricing, comes **BizCard Reader.** This device is effective, portable, adaptive to the way you work, and has a list price of

BizCard Reader *adapts to the way you work and goes on the road with you.*

$249. BizCard Reader is about 3 by 5 by 1.5 inches and weighs less than a pound. It plugs into your PC's standard parallel port, and you can take it along for use—with a notebook computer—at conferences, trade shows, and other places where you're most likely to collect countless cards.

And BizCard Reader is as effective as it is handy. The accompanying software, which runs under Microsoft Corp.'s Windows graphical user interface, uses artificial intelligence to copy words and characters from cards to appropriate data-base fields. In a test of the 400 dots-per-inch scanner and its software, we used really oddball cards and marveled at how well BizCard Reader dealt with them.

You can feed a pile of cards through the scanner while you are working in a different software program. We found this background scanning mode a real plus to productivity. Also praiseworthy is the software's excellent facility in exporting scanned-in data to popular organizational software, including **ACT! for Windows,** by Symantec Corp.; **Packrat,** by Polaris Software; and **Lotus Organizer,** by Lotus Development Corp.

UMAX's technical-support staff answered several of our questions quickly, competently, and without charge.

BizCard Reader is available at computer superstores and many other retail outlets, or directly from UMAX in Fremont, Calif. Call (510) 651-8883.

Simon Sets The Pace As A Versatile Communicator

Last fall we noted the promise of a prototype communications device called **Simon,** designed and built by IBM Corp. for sale by BellSouth Cellular Corp. We recently put one of the first production units through its paces and became even more enthusiastic about this first-of-its-kind product.

Many technology companies have concluded over the past few years that traveling executives long for a single device that's smaller and lighter than even a subnotebook computer, yet capable of maintaining address lists, schedules, and notes, performing rudimentary computations, and providing a full range of options for communicating with customers as well as the office.

To meet this need, the computer industry developed what have been dubbed personal digital assistants (PDAs), the most prominent of which is Apple Computer Inc.'s Newton MessagePad. But PDAs have not gained much of a following, largely because of their limited communications capabilities.

In contrast, extraordinary communications options are Simon's unique strengths. The device, measuring 8 by 2.5 by 1.5 inches, is a cellular telephone with all the bells and whistles, a send/receive cellular fax machine, a wireless numeric pager, and a cellular send/receive client for Lotus Development Corp's. popular cc:Mail system. In short, if you can't reach someone through Simon, the person probably doesn't want to be reached.

Moreover, the 1-pound Simon contains a nimble set of mobile office tools, including a calendar, an appointment scheduler, a to-do list, an address book, a calculator, a note pad, and a sketch pad.

Information is fed into the device with a small stylus. This was somewhat awkward and slow at first, but we gained facility quickly with the system thanks to technology that accurately predicts the next six letters you will likely put in and presents them to you.

Our only quibble with Simon is that incoming faxes of more than a few lines are difficult to read on the small liquid crystal display, even using Simon's magnification feature. We simply worked around that shortcoming, however, by refaxing incoming documents to a nearby paper-fax machine.

Simon carries a hefty price tag: $899 in the 190 cities in 15 states served by BellSouth Cellular and its partners, and $1,099 elsewhere. Even so, we highly recommend this breakthrough product for business people who need to stay in constant touch no matter where they are.

For details, call 1-800-SIMON SAYS, or 1-800-746-6672.

Simon, *small but powerful, is capable of a wide range of communications tasks.*

PRODUCTIVITY TOOLS

A More Capable Sidekick

Ten years ago, three programs based on the DOS operating system—the Lotus 1-2-3 spreadsheet, the WordStar word processor, and the Sidekick information manager—helped business people justify buying their first PCs.

Sidekick, by Borland International Inc. of Scotts Valley, Calif., truly was a marvel. It was a multifunction program that provided users fundamental productivity tools such as a note pad, a calendar, an address book, and a calculator. Moreover, it was a terminate-and-stay-resident program, which meant users could use two programs concurrently—Sidekick and, say, their word processors. Borland updated Sidekick for DOS three times and produced the last version about four years ago. More than 3 million copies of the various incarnations of Sidekick have been sold.

Now, Borland has released its first version of **Sidekick for Windows,** which, with its terrific functionality and $29.95 list price, also promises to be a best seller.

Sidekick is a "scalable" product: If you wish to use it only to maintain basic address books, to-do lists, schedules, and notes, you can merely install it from the single floppy disk provided and go to work; no reading of the manual will likely be required. Careful reading of the manual's 68 pages, however, will unlock a rich set of features, including a "trash can" for disposal of unwanted data, a telephone dialer, a basic word processor with mail-

merge capabilities, and more. Best of all, unlike many information managers, this flexible program allows users to organize and use data the way they wish, not the way the software writers dictate.

Sidekick is widely available at retail and mail-order outlets.

An Excellent Assistant For Your Small Office

Suites of several software programs by a single publisher work well with each other, making them smart buys for small businesses without in-house training staff. Of the major suites, arguably the most tightly linked is Microsoft Office Professional, made up of Microsoft Corp's. excellent Word word processor, Excel spreadsheet, Access data base, PowerPoint presentation-graphics program, and an Office Manager that ties them all together. If you are among those who have purchased this suite, **Office Assistant** will undoubtedly prove a useful add-on.

Office Assistant is a collection of easy-to-use tools that should help almost any business person produce documents of all kinds that are more effective.

We can't begin to list here all of Office Assistant's terrific templates in three business-document categories: planning and management, sales and marketing, and operations. Office assistant also provides several typefaces and a Font Assistant for managing all of the fonts on a hard drive.

The best thing about the templates is their ability to access the capabilities of software programs as needed.

For example, the business-plan template uses Word when the user is entering text, but accesses Excel when the user begins detailing financial projections. And constructing even these complex, so-called compound documents is easy thanks to prompts known as Cue Cards by Microsoft.

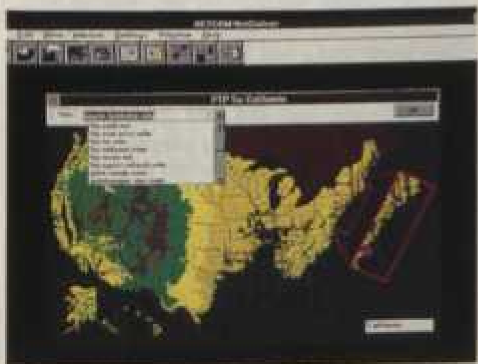
Office Assistant lists for $99.95 at many retail and mail-order outlets.

ON-LINE SERVICES

For Newcomers, A Map Of The Information Highway

"Hitching A Ride Into Cyberspace," in our July issue, detailed business opportunities presented by the Internet, the fast-growing global computer network with more than 20 million users. As that article noted, however, the Internet is difficult for novices to navigate, largely because it is based on the cryptic UNIX operating system.

Recently, we've looked at several excellent programs designed to make it easy



NetCruiser *offers access to Internet navigation tools and resources.*

for casual users to mine the Internet's rich information lode. To date, our favorite is **NetCruiser,** by Netcom On-Line Communications Services Inc., an Internet service provider based in San Jose, Calif.

NetCruiser is free to subscribers to Netcom's service, which costs $19.95 a month for 25 hours of access between 7 a.m. and midnight and unlimited night-owl access.

There is a onetime start-up charge of $25.

Designed to follow the logic of a map, NetCruiser could hardly be easier to use, and, unlike some competing products, it provides access to virtually the full range of Internet navigation tools and resources, including Gopher, World Wide Web, USENET news groups, file transfer (FTP), remote access (Telnet), electronic mail, and look-up services (Finger).

Another appealing feature of the Netcom service is that users are notified, when they log in, of NetCruiser software updates and are given the option of downloading and installing the new version. These updates are done frequently, reflecting the fast-changing nature of the Internet.

New subscribers also receive *Access The Internet,* a useful overview of the network and the NetCruiser software by David Peal. Netcom can be reached at 1-800-501-8649. NB

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Franchising SPECIAL GUIDE

Succeeding With Multiple Locations

Franchisees and franchisors should weigh the risks and rewards of multiple-unit ownership.

By Meg Whittemore

In 1963, Richard Jenkins broke into the fast-food business as an hourly worker at a Hardee's in Kannapolis, N.C. Just a year earlier, the owner of that store, Boddie-Noell Enterprises, had opened its first burger-and-fries franchise, in Fayetteville, N.C., with first-day sales of $178.42.

Today, Jenkins' trip up the ranks of Boddie-Noell has brought him to the presidency of the Hardee's group of the Rocky Mount, N.C., company, now the largest privately held U.S. franchisee in the fast-food industry. Sales at its 350 Hardee's are expected to top $400 million this year.

"The company founders didn't plan on becoming this big," Jenkins says, "but business went well, and we continued to build and add locations."

The company enjoys the support of a loyal management team. Senior managers have at least 25 years with the company, while district managers—the equivalent of middle management—have an average of about 15 years or more. "The success of Boddie-Noell can be credited to our people," Jenkins says.

Because a single franchisee who owns many units cannot be present constantly at each site, selecting excellent store managers and regional managers is critical. "It is the biggest challenge facing multiple-unit franchisees," says Joe Mirabile, a Burger King multiple-unit owner with 24 locations in the Memphis, Tenn., area. "Your unit is only as good as your restaurant or general manager. This is an extremely people-sensitive business, and the caliber, quality, loyalty, experience, and background of your unit managers is all-important."

The term multiple-unit franchising embraces several forms of ownership. It may involve a sole franchisee who owns more than one unit, such as the franchisees interviewed for this report. It could also refer to other arrangements, involving subfranchisors, master licensees, area representatives, and area developers.

Subfranchisors and master licensees have the right to sell franchises within a territory, usually a state or a country.

Area representatives act as brokers for franchisors by soliciting qualified franchisees and providing the ongoing support promised in the franchise contract.

Area developers do not sell franchises but get the right to open outlets in a given area. The area developers often become multiple-unit operators, owning and operating many units within a market.

Multiple-unit franchise operators—franchisees who own more than one franchise in a system—are desired over single-unit operators by most franchisors, who believe multiple-unit operators have a greater investment in the company than single-unit owners.

Multiple-unit operators, in the view of franchisors, typically show a commitment to the franchise systems' structured management, create and follow an annual business plan, execute a consistent marketing plan, and provide consistent day-to-day store operations.

While multiple-unit franchising is one way to expand a business quickly, it presents a unique set of management challenges for both franchisor and franchisee.

PHOTO: SAM STRATFORD—BLACK STAR

The "right people on board" *have helped Richard Jenkins' company become the largest privately held U.S. franchisee in the fast-food industry.*

Risks And Rewards

Expanding through existing franchisees overcomes a major constraint associated with adding new franchisees: the risk that working with the new franchisee will pose difficulties.

In a franchising research paper he presented at a Las Vegas conference of the Society of Franchising, Jeffrey Bradach, an assistant professor at Harvard University's Graduate School of Business Administration, pointed out that a key advantage of a multiple-unit franchisee over a single-unit franchisee is in the

"I MAKE MY MONEY WITH MY PENCIL AND MY HEAD."

Richard A. Cutler, president of Recreational Adventures Corporation, Palmer Gulch Development Corporation and Satellite Cable Services and a senior partner in the law firm of Davenport, Evans, Hurwitz & Smith, owns four KOA Kampgrounds and is planning to add six more KOA RV resorts to his portfolio.

Richard, what is your investment philosophy?

"I've invested my funds in what I consider capital assets. One of my basic themes is to build an estate over time, and I have found campgrounds to be a good way to build assets."

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What are your plans for the future?

"Our company is basically on record as saying we would like to have ten major or large campgrounds. We are continuing to work with KOA to look for additional RV resort and campground opportunities."

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experience of its management team. "Put simply, in franchising, there is financial risk and human-resource risk," Bradach says. "Single-unit franchising is saddled with both, whereas multi-unit franchising faces only the financial risk."

Gary Salomon, president of American Fastsigns, Inc., a custom-sign franchise based in Carrollton, Texas, makes sure his franchisees demonstrate a high level of managerial expertise before he grants a second unit.

"We typically discourage opening up second stores unless we feel that the franchisee is a good manager, someone who really knows his or her stuff," Salomon says.

For the franchisor considering multiple-unit franchising as a growth strategy, Salomon offers this suggestion: "Take a careful look at the concept, and make sure the concept lends itself to multiple-unit growth."

For example, a retail concept in which every product has similar features to what was sold before lends itself to multi-unit growth.

But Salomon says that "in a customized service business such as Fastsigns, multi-unit growth may not be the best strategy to consider." (See "A Company Grown With Care," on Page 70.)

Mature Franchisees

What do mature franchisees look for from their franchisors? Duane Hoover, president of Hoover Foods, Inc., a Wendy's franchisee that's based in Norcross, Ga., and has 70 locations, mostly in Georgia, says mature multiple-unit franchisees face a unique set of concerns in dealing with the parent company—the franchisor. "I want to see a mission statement from my franchisor," Hoover says. "I want to know who you are and what I am going to be."

Hoover says franchisors need help in dealing with large multiple-unit franchisees and that a good first step toward accomplishing that goal is honesty. "There should be no hidden agenda," Hoover says. "If a mistake happens, let's admit it and then work it out." Some franchisors have strategy meetings to decide how to handle certain situations, according to Hoover, "to decide what to tell the franchisees about the problem. That won't work."

What *will* work, according to Hoover, is a five-point business-management plan:

■ **Communication:** Mature multiple-unit franchisees' communication needs differ from those of single-unit owners. But the difference lies in the *content* of the communication, not its frequency, Hoover says.

For example, many franchisees are going into nontraditional sites, such as airports, college campuses, independent strip centers, and temporary tenant programs at enclosed shopping malls. "They need to know quickly what the marketplace is," says Hoover, "and that means a market-impact study" done by the franchisor for the franchisee.

PHOTO: SAL DIMARCO JR.—BLACK STAR

Franchisees *in Anne Beiler's Auntie Anne's Pretzels chain must demonstrate expertise before opening a second store.*

Another area where ongoing communication between franchisor and multiple-unit franchisee is needed is the area-development agreement. Multiple-unit franchisees *may* agree to develop their markets within a specific period, but if the franchisees' plans go awry, "franchisors must sit down with their multiple-unit owners and talk it out," Hoover says.

■ **Discipline:** Franchisors must treat each franchisee—regardless of size—equally when dealing with royalty fees,

equipment-leasing costs, interest fees, or inventory expenses. "Do not do one thing different for your multi-unit franchisee," Hoover says. "If franchisors negotiate on that point, they are dead."

■ **Training:** Franchisors must provide ongoing training to franchisees, including mature multiple-unit owners. Hoover says that often franchisors overlook mature franchisees and focus their training efforts on single-unit operators. "Regardless of size, all franchisees need ongoing training," he says.

■ **Finance:** "When you sell a franchise," Hoover says, "make sure the franchisee can afford it." By helping the potential multiple-unit owner with hard-core financial strategies, franchisors can ensure that the franchisee is on firm financial footing before adding units.

■ **Franchisee Involvement:** "Mature multi-unit franchisees sometimes let their egos get out of control," Hoover says. "You need to bring them back down to earth occasionally, and that's not an easy job." To give its big franchisees a sense of how they fit into the company, Wendy's has them serve on several committees to help them understand that they can contribute their knowledge while learning from others.

Says Donald Harrill, executive vice president of Hilton Inns, Inc.: "As franchisors, if you say that your multi-unit franchisees *may* know more than you do, that's the right attitude."

> "If you say that your multi-unit franchisees may know more than you do, that's the right attitude." —Donald Harrill, Hilton Inns, Inc.

Management Challenges

Anne Beiler is founder and president of Auntie Anne's Pretzels, a national franchise based in Lancaster, Pa., that has 250 outlets. The chain specializes in hand-rolled pretzels made from a Pennsylvania Dutch recipe. Beiler considers multiple-unit franchisees an asset to her company's growth, but she is cautious when awarding additional stores to a franchisee.

"I never allowed a franchisee to buy several franchises immediately because I wanted to find out if this person would work in the system, first of all, and then whether or not they could run a good store," Beiler says. "Of course, they all told us they could do that, trying to convince us that they needed more than one unit, but we really stuck to our initial strategy."

The process worked well for the first four years of the company's growth. Two years ago, though, Beiler faced competition, and she began allowing operators to open more than one location. Still, there's a minimum of three months before she will consider a request for a second site.

Finding the right people to run stores, Beiler says, can be difficult but is vitally important. "If you don't have the right people managing your store, it won't do the volume that it should," she adds. And ongoing training of her multiple-unit operators presents some challenges, ac-

Resources

Here are published materials on multiple-unit franchising that can help you in your planning:

■ *Multiple-Unit Franchising* (International Franchise Association), by H. Bret Lowell, includes sections on types of multiple-unit system growth, the advantages and disadvantages of each type of system, and the registration and disclosure requirements for this method of franchising. The book is $28 for members of the International Franchise Association, or $33.50 for nonmembers, including shipping. To order, call 1-800-543-1038.

■ *The Franchising Handbook* (AMACOM), edited by Andrew J. Sherman, contains an informative chapter titled "Multi-Area Development and Expansion Strategies." Written by Milli Stecker, the chapter offers a general overview of multiple-unit franchising and could serve as a starting point in your research. The book is available at most public libraries.

■ *Franchise Update* magazine covered the topic in depth in its 2nd Quarter 1993 issue, titled "Multiple-Unit Franchising." Copies of that issue are available for $7 apiece, including postage. For information, call Franchise Industry Publications at 1-800-289-4232.

■ For general information about franchising, contact the International Franchise Association, 1350 New York Ave., N.W., Suite 900, Washington, D.C. 20005-4709; (202) 628-8000.

cording to Beiler. "There is nothing across the board that you can use to apply the same training approach for [multiple-unit] owners," she says. "It depends so much on the individual management skills and business skills of the franchisee."

Thus, a multi-tiered management approach, with emphasis on the individual, is required. "You have to step back and splinter your training and management approach," she says. "We are constantly trying to find ways to meet the needs of the individual [multiple-unit] franchisee."

> Coldwell Banker figures "each company knows their own local market."
>
> —Stuart Pratt, Hunneman Coldwell Banker

Keeping a store properly staffed is a significant challenge for multiple-franchise systems. Mirabile, the Burger King multiple-unit owner, says he has found that "it is becoming increasingly difficult—at all levels—to attract and retain good people, even at the crew level, which are the folks who work on an hourly basis."

Mirabile maintains that welfare discourages people from working. "We have people tell us all the time that they are quitting because they can make more money from their benefits than by working," he says.

Small, Medium, Or Large?

Not every small multiple-unit owner is destined to become a large, mature, multiple-unit franchisee. Conversely, not every franchisor has what it takes to manage multiple-unit owners. The relationships between franchisors and multiple-unit franchisees vary widely, depending on the size of the franchise company, the personalities of the two parties involved, and the long-range goals of the system.

"We are finding that some franchise owners are not able to handle more than two or three stores," says Auntie Anne's Beiler. "They get too frazzled." Other owners can manage five to seven units with no problems. "It has to do with the individual's abilities," she says.

One advantage to having fewer units is more direct communication with the franchisor. An example of this advantage can be seen in the operations of Environmental Biotech, a Sarasota, Fla., company that has 60 locations nationwide.

Environmental Biotech specializes in a process called bioremediation, which uses 13 strains of live bacteria to break down grease, starch, sugar, oil, and gasoline

A Company Grown With Care

Not every business is suited to multiple-unit growth. Some franchisors avoid the multiple-unit strategy altogether, while others use it selectively.

Gary Salomon, founder and president of American Fastsigns, Inc., a Carrollton, Texas, company with 18 multiple-unit owners among its 225 franchisees, is cautious about encouraging franchisees to take on additional units. "We hate to see people load up on overhead without reaching critical mass in sales from their first location," he says.

American Fastsigns manufactures and sells customized signs to retailers, other small businesses, private individuals, large corporations, and other customers. The company's overriding principle is tied to the franchise owner's being on-site; Salomon maintains it's crucial to profitability. "When you split franchisees up into several stores, you end up diluting their strengths and, pretty much, bringing all of their weaknesses to a higher level."

Single-unit franchisees are often enthusiastic about the prospect of immediately owning more than one unit, Salomon says. "The ideal scenario is that they not think about opening a second store until two to

three years down the line," he says. "But some of them have a tendency to jump first and ask questions later, because they are afraid that someone will buy up an adjacent territory."

Salomon considers it his job as manager of a growing business to "temper some of that enthusiasm with common sense. You try to bring to bear that you don't want to hurt what is now developing healthfully and drain it."

Single-unit franchisees often think that if they had a second store they would make more money and it would be easier—they could be more the manager rather than a day-to-day, hands-on operator. "What they don't understand," Salomon says, "is that if they haven't been the manager in their first store, in all likelihood they aren't going to do anything but create a house of cards by opening up multiple units."

He believes in benchmarks for his franchisees aspiring to own additional locations. "They have to be profitable—running a certain percentage to the bottom line—or running a certain average" over at least three months, he says.

Salomon's advice? Develop and implement sound business systems in one location.

By "systems," he means the methods of scheduling employees, ordering materials, filling job orders, producing and delivering the product or service, and tracking productivity.

Salomon also recommends that owners:

■ Establish written job descriptions for every employee, and try to adhere to those descriptions.

■ Conduct meetings to determine if job descriptions meet actual on-the-job requirements, to make sure employees are working as a team, and to keep employees in touch with the franchise's goals and objectives.

■ Build a management team and staff that can continue to increase sales at the existing location in the franchisee's absence.

On the other hand, Salomon says, "if franchisees have been crisis managers and all of a sudden they decide to open a second store, typically their store personnel haven't been developed to help them grow the business. That means the franchisee ends up working twice as hard. That's the grim reality of it."

And Salomon recommends this approach to other franchisors: "You are better off telling your franchisees upfront that if they do well and hit these benchmarks in a timely fashion, they can have another store, assuming it is available. Then it puts the onus on the franchisees to perform.

"If they can't, they have nobody to blame but themselves."

PHOTO: ©JOHN R. FULTON JR.

Gary Salomon *of American Fastsigns establishes benchmarks for franchisees who want to open another location.*

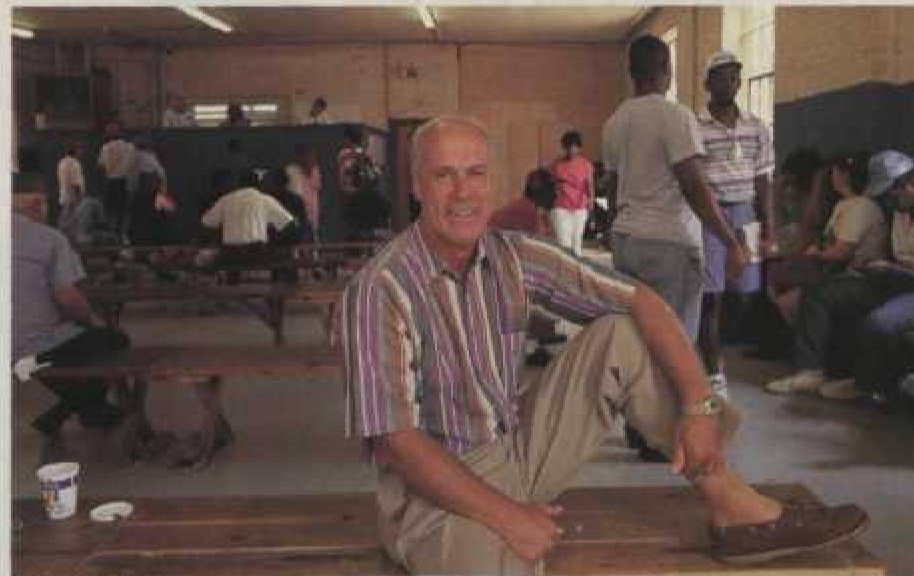
into water and a small amount of carbon dioxide. Customers include restaurants, waste-water treatment plants, dairies, and factories.

Bill Hadley, the founder, meets regularly with his multiple-unit owners, a practice that is much appreciated by Barry Bealer, president of Environmental Biotech of the Carolinas, in Charleston, S.C., which has two locations and rights to develop 17 markets in North and South Carolina. "The last time I was in Sarasota I met with Hadley, and we talked about and solved a number of problems," Bealer says.

Medium-sized multiple-unit franchisees (26 to 100 units) are often headed by entrepreneurs who have already established themselves and their businesses as successes.

One such entrepreneur is Stuart Pratt, president of Boston-based Hunneman Real Estate Corp., whose subsidiary, Hunneman Coldwell Banker, represents 50 franchised offices in Massachusetts and southern New Hampshire.

Pratt, whose own real-estate company enjoyed strong local recognition in the Boston market, purchased Coldwell Banker's residential-real-estate offices in Boston in 1990 "for the national name recognition, the franchisor's partnership approach, and because of the cost of education," he says.



Long hours became routine *for Bill Schleuning when he opened his Labor World franchises. "If you really want to make it work," he says, "you work it."*

"You cannot afford to put on the educational programs and make the resources available in just one market that a national organization can develop and deliver," Pratt says. Coldwell Banker offers educational training in sales, legal issues, management, advertising, computers, and national-trend analysis.

According to Pratt, Coldwell Banker benefits from his local expertise. "Coldwell Banker has no idea what is going on in my market," Pratt says, "but that is their strength. They figure each company knows their own local market, and they support them completely."

When multiple-unit franchisees own

more than 100 units, the relationship with the franchisor changes and resembles a partnership between two companies. Because of the multiple-unit owner's range of experience from its many units, franchisors often value the owner's input concerning product development and marketing.

"We were the first fast-food Hardee's to have a drive-through and to pioneer the fresh fried chicken program," says Jenkins of Boddie-Noell. "We speak what we believe, and Hardee's corporate comes to us for our thoughts on specific products and programs."

In return, the franchisor gives Jenkins' 350 Hardee's outlets marketing and operations support, updates on industry trends, and help in conducting a mystery shopper program. "It's a two-way street," Jenkins says.

A Desire To Succeed

Most franchisors have their own definition of what makes a good multiple-unit franchisee, based on the requirements of the business. A characteristic common to multiple-unit operators of all sizes is an inner drive.

"We find that our [multiple-unit] owners are usually those individuals who have a true burning desire—as much of an entrepreneurial spirit as anyone," says Dick Rennick, president of American Leak Detection, Inc., a Palm Springs, Calif., company with more than 150 locations. The chain specializes in finding leaks in plumbing, gas lines, and swimming pools. They want to be successful, he says, and that drive makes them become multiple-unit operators.

"At first I didn't have any desire to own more than one location," says Bill Schleuning, who owns three Labor World

Pitfalls In The Multi-Unit Game

Multiple-unit franchisees can help a company expand quickly, but the strategy can pose problems for the unwary—or unprepared—franchisor.

For example, not all multiple-unit franchisees are easy for the franchisor to deal with day to day, says Jerry Laesser, vice president of marketing and operations for One Hour Martinizing Dry Cleaning, based in Cincinnati. Almost half of the 800 One Hour Martinizing franchisees worldwide are multiple-unit owners, and more than 100 of those owners have been with the company at least 20 years, Laesser says. "We have many mature multiple-unit owners."

Laesser recommends being aware of multi-unit franchisees who might:

■ Own franchises based on differing concepts, with a result being that your franchise may not be their top priority.

■ Own so many units that you become reluctant to negotiate or deal with them because you want to avoid conflict.

■ Have so much clout with your company that they demand better deals with you as a franchisor, requesting price breaks on royalties, marketing materials, and supplies, for example.

■ Have exclusive territories that have not been fully developed. Because they own so many franchises, you don't want to confront them with their failure to meet the development schedule.

■ Lack effective management skills, thus requiring your top management team to be involved in day-to-day operations of the franchisee's companies.

■ Think they know more about your business than you do.

■ In fact, *do* know more about the business than you, the franchisor, do.

franchises in Kentucky and North Carolina. The franchise, based in Boca Raton, Fla., is a temporary-employment business aimed at the light industrial market; it has 45 franchises across the country.

"Then I realized the financial opportunity quickly," Schleuning says. "My franchise in Louisville, Ky., took off so fast that when I looked at the Durham, N.C., location, I saw the potential to double sales fast."

PHOTO: ©BOB DAEMMRICH

Husband-and-wife teams, *such as Robert Douglass, center, and Mary Ann Douglass, are typical of American Leak Detection franchisees. Working with them to repair a pool leak is Robert "Stump" Douglass Jr.*

Schleuning's Labor World franchises open at 5 a.m. and close at 2 a.m., seven days a week. "For the first six months I was in the business, I worked about 21 hours a day," Schleuning says. "It's like any other business. If you really want to make it work, you work it."

The typical American Leak Detection multiple-unit operator is a husband-and-wife team with professional backgrounds, like Robert and Mary Ann Douglass, who own franchises in Austin, Corpus Christi, and San Antonio, Texas. "They are looking for a change, and they have an opportunity to provide an environmentally sound service and work out of their home if they want," Rennick says.

Rennick underscores the theme common to all franchisors with multiple-unit operators. "Management skills are more important than having enough money to expand," he says. "We also look at the individual's capacity to communicate, tolerate differences among their people, establish trust, and promote a positive attitude. *Then* we look at their financial standing."

Franchisors—and franchisees—who are eager to expand their businesses continue to find multiple-unit sales appealing. But they are ever watchful of the possible bumps in the road to multiple-unit growth.

"The lure of growing your system fast by selling off territories and then walking off saying, 'Well that's taken care of'—those days are gone," says Auntie Anne's Beiler. "The skills needed to run one store are no longer the same skills needed to run several stores." NB

When Big Still Seems Small

A commitment to quality can bring with it an entrepreneurial zest—even when a small or midsize business becomes part of a large one.

By Michael Barrier

PHOTO: T. MICHAEL KEZA

Its tradition of quality *made machine-tool manufacturer Landis fertile ground for quality-management ideas introduced by general manager C.L. Hartle, right; here he talks with electrician Danny Bock.*

To many owners of small or medium-sized businesses, selling their companies to a large corporation can look like the ultimate dream—or the ultimate nightmare.

A dream, because acquisition can bring with it not only a financial reward for an entrepreneur's years of hard work but also resources that permit an acquired company to do things it could never do on its own. A nightmare, because a corporate bureaucracy can sometimes smother the entrepreneurial drive that made the smaller firm a tempting acquisition in the first place.

But even if the parent company is enlightened and sympathetic, is there really any way that a smaller company, once it becomes a subsidiary, can keep the entrepreneurial flame alight? And if the flame does die out, can it ever be revived?

The stories of two companies—one acquired 26 years ago, the other only this year—suggest that the answer to both questions can be yes; and that a commitment to quality can be a key.

A case in point is the machine-tool manufacturer Landis, headquartered in Waynesboro, Pa., which made its first production grinder, a machine that now sits in the Smithsonian Institution, in 1885. Once a classic small-business success story, Landis since 1968 has been part of a much larger corporation. It was bought that year by Litton Industries, which spun off Landis and other divisions last year to form a new company called Western Atlas, Inc.

Landis' machines are cylindrical grinders, used for a finishing operation in the manufacture of engines. The machines grind automotive parts—crankshafts, camshafts, and transmission parts—to the necessary smoothness and roundness, with tolerances measured in millionths of an inch.

Landis builds all machines to order, 95 percent of them for the automotive industry. Designing and building a grinder can take up to a year, and installing a machine is a complex process requiring a team of six or eight people working for six months. Not surprisingly, the grinders are expensive—Landis' least expensive machine sells for about $500,000, with the typical price in the millions.

"You can go to any engine manufacturer in the world," says C. L. Hartle, who runs Landis as its general manager, "and mention Landis, and they will know who we are and what we do. I can't think of an engine plant in the world where we don't have cam or crank grinders."

In the late '80s, though, Landis was locked into a rigid, top-down management style, Hartle says, "and we were sinking fast. We were falling behind in our technology. We were not listening to the customer."

Litton and then Western Atlas have always stood in relation to Landis more or less like a board of directors—exercising a general oversight, but not interfering in operations "as long as we made money," Hartle says—and it was only as profits eroded that Litton stepped in to make a change. Hartle moved into his present job at that time; he had been vice president for sales. "In six years," he says, "we've changed the culture of the company" and more than doubled annual sales.

In contrast to the autocratic style that dominated before he took over, Hartle says, he has steered Landis into the mainstream of the quality movement. Every Landis employee has undergone at least 25 hours of quality training.

"I try to let everybody run their own departments," Hartle says, and beyond that, to give the people on the plant floor greater decision-making power. At the same time, he says, "we try to share all the information we can with all the employees, all the supervisors."

Landis, which has about 400 employees now, had around 700 when Hartle became general manager in 1988. It was vertically integrated to an extraordinary degree (the company once used water from its own well and generated its own power).

The firm now relies much more on outsourcing, Hartle says; as a result, when the economy slows, Landis doesn't lay off workers but instead cuts back on purchases from its suppliers. "We can do

$90 million, or $100 million, without adding people," he says. "And if sales drop to $40 million, we don't lay off anybody."

Even though it has increased its outsourcing, Landis hasn't increased the number of its suppliers. In fact, in keeping with the precepts of the quality movement, it has pared the number of suppliers from around 130 to 25. Once a supplier has passed Landis' own rigid quality tests, Hartle says, "then we may inspect one out of every 20 pieces" from that supplier, as opposed to inspecting everything.

Hartle started with one great advantage: a strong tradition of quality workmanship. Grinders are by their very nature such high-precision tools that any indifference to quality in their manufacture quickly asserts itself.

Landis' plant is impressively clean and orderly, reflecting a philosophy that goes back a long way. When he started work at Landis as an apprentice 42 years ago, Hartle recalls, the company's president at the time said in effect that if a company was going to sell precision, it had better look the part—precision and dirty floors did not go together. Today, even the shrubbery in front of the Waynesboro plant has been trimmed with what looks like mathematical precision.

The tools of the quality movement have permitted Landis not just to reinforce its own tradition but to bring down its costs. "We've always been the high-priced producer," Hartle says, "and people have paid that, but in the last 10 or 15 years they've stopped paying the extra 10 or 15 percent that they used to pay."

Landis measures the "cost of quality"—the costs represented in such things as scrap and rework, costs that a quality program seeks to minimize—and posts the results monthly in pie-chart form. Landis has 10 times as many measurements of that kind as it used to, Hartle estimates.

So successful has Landis been in cutting costs and achieving high quality, Hartle says, that it has in effect shut a major Japanese competitor out of the domestic market, by beating it in competition for $120 million in contracts.

"We're pretty proud of that," Hartle says. "We stepped up to the bar and said, 'Look, these people are here, they're not going to go away, and the only thing we can do is to do better than they do.' And that's what we're doing."

It's that kind of success within a large corporation that Richard Thomas seeks for what was until earlier this year known as Radiation Systems Inc. (RSI). The Sterling, Va., company has become the COMSAT RSI division of COMSAT Corp., the satellite-communications giant. Like Landis, COMSAT RSI has a strong quality tradition—and unlike Landis, it has an entrepreneurial edge that needs only to be preserved, not restored.

PHOTO: T. MICHAEL KEZA

"We believe in building it once *and building it right," says Richard Thomas, left, who heads antenna manufacturer COMSAT RSI.*

RSI had a respectably long history by the time COMSAT acquired it, although not nearly as long as Landis'. In its original incarnation RSI was devoted to "miniaturized versions of sophisticated electronics," says Thomas, who was RSI's CEO (and the largest employee stockholder) until the COMSAT acquisition and now heads COMSAT RSI.

RSI was formed in 1960 by a group of Washington, D.C.-area engineers with a "very, very high-tech attitude," Thomas says; he recalls that he was invited to be a member of "the organizing team," but he was living in Baltimore then, securely employed, with the responsibilities of five (later seven) children, and he considered the invitation "high-risk."

He kept in close touch with the company, though, and finally joined RSI in 1965 to set up "a comprehensive manufacturing operation" as a prelude to getting not just development contracts from the federal government but production contracts as well.

RSI couldn't get the work, though, until it proved—by getting work from other customers—that its production system could actually deliver. Thomas managed to get some jobs to design and build antenna systems, and, he says, "we began to build Radiation Systems on that basis."

The company "did a lot of great things" in defense electronics, Thomas says, "but unfortunately, they came to nothing, because the government decided to place the production with somebody else."

But when Thomas investigated the defense market himself, he realized that the military's procurement policies were creating an opening for a company like RSI. In making contract awards for communications systems, he says, the Pentagon was overlooking the importance of antennas; it was making "mechanical and structural demands, and erection-time demands, on the antenna structure" that the contractors could not meet.

"They would spend 95 percent of the money developing a sophisticated radio system and 5 percent developing the article [i.e., the antenna] they could communicate with," he says. "As a result, when the people in the field tried to use it, they weren't successful." Thomas realized that there was "a market in going around and fixing all these bad antennas.

"I would start dealing with the sergeants," he recalls, "and find out what their problems were, and then I'd write a proposal" and pursue it through the military bureaucracy. After "a hell of a lot of work, we'd get a sole-source procurement [contract]." Through these retrofit programs, he says, "we began to get into other areas."

Eventually, RSI's board of directors (the company had gone public in 1967) decided that the high-tech overreaching by the company's founders had to stop. They were shown the door, and in 1974 Thomas was named chief operating officer and given the job of building the company. When he became president in 1978, RSI still had only about $3 million in annual sales. Thomas decided right away that he wanted to get into satellite communications and reduce RSI's dependence on government contracts.

Starting in 1978, RSI's revenues rose at an average annual rate of almost 30 percent, to more than $120 million before the COMSAT acquisition. RSI grew from being simply a manufacturer of antennas to what Thomas calls "a fully qualified system house, one that furnished all of the

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electronics, all of the systems integration, the buildings, the roads—in effect, a turnkey effort."

RSI has grown not just by selling its products for military and commercial uses but by aligning itself with the opportunities that technology has created for other kinds of communication. For instance, in the early '90s RSI wired thousands of schools for Whittle Communications' Channel One educational program—"we put a television set in every room, put a receiver system in every school, and an antenna on every roof," Thomas says. Through that $72 million contract, RSI rose past $100 million in annual revenues.

Last year, RSI and COMSAT encouraged more such communication by donating broadcast satellite dishes to the U.S. Chamber of Commerce, so that the Chamber could donate them in turn to all state chambers.

The dishes are being used to establish what U.S. Chamber President Richard L. Lesher calls a "state-by-state satellite network," which the U.S. Chamber and state chambers will use to keep small businesses abreast of management techniques and national issues with an impact on business.

An ever-firmer commitment to quality was critical to RSI's growth. After he took

"I try to let everybody run their own departments . . . we try to share all the information we can with all the employees."

—C.L. Hartle, General Manager, Landis

over, Thomas recalls, he heard often "how terrible our products looked. It was a significant embarrassment. I made a vow at that time that we were going to be a 100 percent quality-conscious house."

After that, RSI "set design technology advances in this country that are mind-boggling with respect to the precision associated with producing antennas," says Thomas. To do that, the company invested millions of dollars in devices like one that he says "measures the accuracy of antenna structures to one-thousandth of an inch." Today, COMSAT RSI is "committed to Total Quality Management," Thomas says. "We believe in building it once and building it right."

Three of RSI's 11 divisions won ISO 9000 certification under that internationally recognized quality program (see "Quality Standards The World Agrees On," May), but even so, RSI ran into obstacles overseas, Thomas says, because it wasn't a recognized name. The COMSAT deal has solved that problem. For its part, RSI brought to COMSAT a manufacturing capability that it lacked.

The COMSAT acquisition thus promises to fuel RSI's entrepreneurial fires, rather than quench them. Now, Thomas says, "we want to become a major player in air traffic control. We want to be a full-systems supplier for all kinds of sophisticated radars."

COMSAT's Technology Services Group has been combined with RSI, bringing with it $70 million or more in annual sales: The combined operation will have sales this year of $210 million or so, Thomas believes. "We will be the dominant satellite-communications force in the U.S., if not the world," he says. "We've got the smarts to do it, and the deep pockets."

And, he hardly needs to add, the devotion to quality that is, for large companies and small companies alike, an increasingly powerful weapon in the international marketplace. NB

To order a reprint of this story, see Page 89.

ADVERTISMENT

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Try This New Information Delivery System, RIGHT NOW

You're talking with your customer, answering questions and describing your products. He wants to see some printed information. You scribble his name and address on an envelope, and put a brochure in the mail. A few days later, you remember the client, fumble for the address and your tickler file reminds you to call back and follow up.

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ATC

Family Business

Advice for the advice columnist; maintaining family cohesiveness; defusing fraternal tension.

OBSERVATIONS

Don't Send Him To Tokyo, Ann

By Sharon Nelton

Dear Ann Landers:

In a recent column, you left your readers with a very negative impression of family-owned businesses. I'm sure that if you knew more about such businesses, you would have addressed the problem presented to you in a different way.

A reader had written to you complaining that he works in an office where the owner's son, "Abernathy," comes and goes as he pleases, works very little, earns three times as much as other employees, and "bosses those over whom he has no real authority."

The letter writer described the son as "demanding, vain, self-righteous, overbearing, and obnoxious," and said "everyone walks on eggshells when he's around." The writer closed by saying, "I realize the only solution is to quit and look for another job. But won't I encounter the same problem at the next place?"

Ann, you replied: "Not unless it's another family-owned business. . . . I hope you will start looking for a job elsewhere—preferably Tokyo. There seem to be fewer family-owned businesses over there."

First, Ann, many of the best businesses in the U.S. are family-owned. Such businesses create jobs for millions of us and are vital to our economy. An estimated 90 percent of U.S. businesses are family-owned or family-controlled. One study shows that 35 percent of the country's 500 largest companies are family-controlled; they include companies like the Marriott Corp. and the Washington Post Co.

Going to Tokyo won't help. Family-business experts tell me the percentage of family firms is higher in Japan than here. Notable among them are Toyota Motor Corp. and Kikkoman Corp, a 17th-generation company.

Regrettably, the situation your reader describes does exist in some family firms—perhaps too many. But smart family-business owners avoid that kind of problem.

They develop policies that govern the requirements a family member must meet to enter the business and stay in it. They expect family members to perform as well as (or better than!) other employees, and family employees are compensated for performance at the same levels as nonfamily employees.

Before your reader accepts a job elsewhere, he should find out from the person who is doing the hiring and from other employees just what the situation is with regard to family members in the business. He should avoid companies where family members don't earn their way.

You could have also advised your audience that there are family-business education programs already available or being organized at more than 60 colleges and universities across the country to help owners do a better job of managing their companies.

No reasonable business owner would want to foster the poor morale that was described by your reader. For the locations of such programs, family-business owners can call the Family Firm Institute, located in Brookline, Mass., at (617) 738-1591.

Because family firms are so important to us, Ann, we need to help them become stronger and better, and not perpetuate the myth that they are inevitably crummy places to work. Many family-owned companies offer wonderful work environments and wonderful careers—even for nonfamily employees.

—Sharon

PLANNING

Beware Of The Family-Business Paradox

By Craig E. Aronoff and John L. Ward

"It seems the greater the business success, the more conscious effort we need to keep the family together."

This observation by a third-generation member of a family in business sums up the challenge we so frequently see. Business-owning families have such a great advantage, but the advantage can distract the family from seeing what's most important in the long run. What's important is a family whose members enjoy one another and do good things together—one that can use the opportunities conferred by business ownership to the greatest advantage for all.

The paradox typically unfolds as follows: A business is founded. Ownership is passed to the next generation. The members of the second generation have the great advantage of a common interest: a business they own and oversee together. They also share a strong common identity—entrepreneurial parents and memories of sacrifices in the founding years. Because the family members own a business together, they have wonderful opportunities to achieve joint accomplishments, to struggle through common challenges, and to learn together about life and family.

These strong family-business roots, however, can lead to two unfortunate

PHOTO: T. MICHAEL KEZA

John L. Ward, left, is the Ralph Marotta Professor of Private Enterprise at Loyola University Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. They are principals in the Family Business Consulting Group, Inc.

results: (1) taking the family for granted, and (2) expecting the family's business leaders to lead the family.

In the second and early third generations, a sense of family comes naturally, but when the founding-generation parents pass away or the second generation pursues separate interests, family cohesion naturally begins to wane. While dilution of family cohesion is normal, it often comes as a surprise because, after all, "We own a business together!"

Over time, bonds of love and common interest erode. More and more, the business becomes the only glue. Because the business is there, business-owning families don't feel the need to work to strengthen family relations. When circumstances arise requiring attention to family relationships, the business's leadership takes responsibility by default.

In short, owning a family business makes it possible to stay together as a family without much attention to nurturing family relations or to developing leaders who tend those relationships. That's the paradox. Owning a family business provides a strength, but it also makes it easy to take family relationships and leadership for granted. In our experience, successful families in business consciously work hard to avoid that tendency.

This family-business paradox has another serious consequence. When a family depends on its business relationship to generate time together and to set its agenda, family members may sense insincerity in motivations.

"The only reason we're attending to family is to assure support for the business ownership," some in the family may say. In fact, they may feel that family feelings are being manipulated for selfish business reasons.

If such perceptions exist, you're between a rock and a hard place. The paradox becomes a trap.

To avoid getting into that trap, pay attention to family for its own sake as soon as possible. In the first generation, for example, the family can begin regularly sharing in nonbusiness interests: perhaps taking a regular vacation together or leading a family charitable or civic project. In the second generation, the family might write or record a *family* (not business) history or bring the cousins together for activities of sheer fun.

Most business-owning families begin family meetings for the practical matter of discussing business-ownership issues and sharing information about the business. That's OK. Just acknowledge the truth: "We've bonded together better than most families because we had the business to interest and involve us. But because of the business, in part, we're fortunate to be reminded how precious extended family is in its own right. We have the special opportunity to see the

ILLUSTRATION: DAVID CHEN

power of family. We've had a good chance to get to know each other well. Now, then, we appreciate the importance of keeping family together for its own sake. Let's get on with it!"

In that spirit, we make the following suggestions:

- When you have family meetings, be sure that more time is devoted to family than to business.
- When discussing business at such meetings, make it explicit that you're doing this simply because you're all together and it's a practical time to do it.
- But, to be sure the message is clear, hold occasional family functions where there is no business on the agenda and any discussion of business is kept to a minimum.
- Develop a mission or purpose statement for the *family* that focuses on *family* goals and values.
- Encourage family members not employed in the business to be active leaders of family meetings and events.
- Consider holding workshops or seminars at family meetings on the importance of family and on how families work.

The blur between family and business is inevitable. The business can be better for family ownership. The whole family can share in the pride of the business. But members of the most successful business families that we know devote primary attention and precious time to simply enjoying one another, getting to know one another, and doing nonbusiness things together.

One family expresses the idea in its family mission statement this way: "We cherish the special opportunity we've been given to enjoy each other and to appreciate the importance of family together." ■

MARK YOUR CALENDAR

Oct. 3-4, Chicago

"Family Business Succession Planning" is a conference for family-business advisers and owners. Call the American Conference Institute at (416) 926-8200.

Oct. 4, Tampa

"Family Wealth Preservation" is a workshop on reducing estate taxes for families with assets of more than $2 million. Contact Kathy Lewis of CIGNA Financial Advisors at (813) 289-4625.

Oct. 5, Wilmington, Del.

"Perpetuating the Family Business: The Ultimate Management Challenge" is an all-day conference featuring *Nation's Business* columnist John L. Ward. Call Jill Lock at Simon, Master & Sidlow, (302) 652-3480.

Oct. 14-15, Corvallis, Ore.

"Family Business Celebration and Workshops," kicking off the Austin Family Business Program at Oregon State University, will feature special sessions for the senior generation and the younger generation. Call Pat Frishkoff at (503) 737-3326.

Oct. 27, Madison, N.J.

"Compensation in the Family-Owned Business" is a daylong seminar on pay and related topics at Fairleigh Dickinson University. Call Mary Suchcicki at (201) 593-8842.

October-December, Cleveland

"How To Become a Motivated Successor" is a program of five sessions on Thursday evenings beginning Oct. 27. Call Patrick Marron, Division of Continuing Education, Cleveland State University, at (216) 687-6944.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

CASE STUDY

After A Fall, A Son Wants In The Business

Jim Coates, 32, a junior partner in a large law firm, has just been told he is being let go—not for lack of performance, but for lack of developing new business.

After giving the firm top priority for seven years, Jim can't believe it. "When I made junior partner," he says, "my wife, Ann, and I finally felt all of the vacations we missed and all of the time we lost together were beginning to pay off."

Jim rejects the idea of starting over and finding a comparable position in another law firm. Instead, he wants to exercise the option of joining Coates Real Estate Co., the family business.

Jim recalls his graduation day from law school when his parents urged him to change his mind and join them, but he wanted to make his own way and excitedly accepted the law firm's offer, a decision he now regrets.

Steve, who is a year younger, joined his parents' company straight out of college. After marrying into a wealthy family, he borrowed money from his in-laws to infuse needed capital into the business. With help from Steve, residential sales have doubled.

Jim knows his parents will welcome him into the business, but he wants Steve to welcome him, too. Ann, however, says, "Jim and Steve have always been competitive in whatever they do." She fears that if Jim joins the company, it will result in a rift between the two brothers. But Ann herself, Jim observes, is resentful of both Steve and his wife, Jennifer, sometimes referring to them as the "fair-haired boy and the princess." He worries that joining the company may escalate ill feelings between Ann and Jennifer.

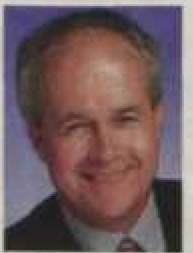
How can Jim enter the business in a way that will be constructive for everyone involved?

ILLUSTRATION: DAVID CHEN

First, Deal With Competitiveness

This deep-seated competitiveness no longer serves Jim, Steve, or the business. Some of it has probably influenced the relationship between Ann and Jennifer already. If this issue is not addressed, the offices of Coates Real Estate are going to feel very small.

Competitiveness demands a loser, and if anyone in the family loses because of it, everyone loses. Some positive, constructive action needs to occur before Jim joins the company. Otherwise, the business will not remain focused on its primary tasks.



Robert Caldwell, a partner with Le Van Associates, a family-business consulting firm in Black Mountain, N.C.

I would like to see the brothers plan a series of meetings to which each would bring a list of personal and professional concerns that they feel need frank and thorough discussion. These might include:

- Ownership and compensation.
- Mutual expectations.
- Areas of responsibility.
- The impact their working relationship will have on family relationships.
- Strengths that can be created by working together.

A mutually agreed-upon third party facilitating these meetings will decrease the danger of their deteriorating into name-calling sessions. Agreements made in these meetings would be committed to writing.

With some guidance—and perhaps, insistence—from their parents, Jim and Steve can face this fragile situation with maturity, using their accumulated skills and abilities to establish a more positive relationship.

As this occurs, so does the likelihood that the relationship between Ann and Jennifer will improve. Their conflict is significant because hard feelings between spouses of family-business members can be corrosive. Mediation is called for sooner, rather than later.

Family Needs To State Rules

Jim's immediate entry could seriously undermine the business. In succession and hiring decisions, the requirements of a business come first, particularly given the low survival rate of family businesses from one generation to the next.

Jim offers no proven marketing skills, expertise in real estate, capital, tenacity, or proof of success in outside businesses—such as promotions or job offers. What contribution can he make to his family's business?

We can see, too late of course, that a major problem at Coates Real Estate has been a lack of stated rules regarding family members' entry into the business: specific education, proven outside experience and success, and a time limit.

As in many family businesses, Jim's parents, striving to demonstrate equality between children, have left a gaping "open door." In contrast to Jim, Steve has proven his skills and risked some money in the business. Even a loving brother would see an immediate job offer to Jim as merely a form of "welfare."

I recommend that Jim be offered help with comprehensive career planning so he can find something where his skills and his enthusiasm truly mesh.

It is vital now that the entire family, with the help of a facilitator (such as a trusted adviser who is respected by all family members), formulate rules of entry into the business and explore team building—especially among the in-laws.

Ann's resentment, which seems to hinge on jealousy over Jennifer's wealthy background and Steve's achievements, may have far deeper roots and is possibly better addressed by a therapist, if she is willing.

Paul Frishkoff, professor of business administration at the University of Oregon and partner in Leadership in Family Enterprise, a consulting firm, in Eugene, Ore.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute.

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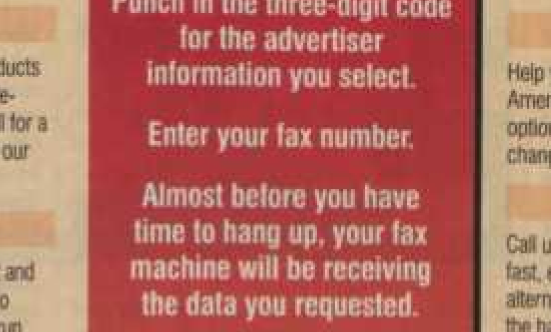

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By Meg Whittemore

MARKETING

Gourmet To Go

I have several recipes for gourmet marinades and sauces for basting, roasting, and grilling that I am thinking of bottling and marketing. I need information and guidance on how to start.
J.S.D., Boca Raton, Fla.

Stephen F. Hall's book *From Kitchen to Market* (Upstart Publishing) provides information on what's involved in getting your homemade specialty food into the marketplace.

Chapters include descriptions on how to determine start-up costs and conduct market research; how to develop, price, and package your product; and how to process orders, work with brokers, and distribute products cost-effectively.

Also included are chapters on packaging and labeling, and advertising and promotion. An extensive directory lists

ILLUSTRATIONS: MARTHA VAUGHAN

organizations and sample documents and worksheets.

The book costs $24.95, plus $4 shipping and handling. Write or call Upstart Publishing, 12 Portland St., Dover, N.H. 03820; 1-800-235-8866.

LOCKSMITHS

Picking A Business

I want to become a locksmith and start my own business selling and repairing locks. Where do I begin?
C.A.L., Duluth, Minn.

Locksmithing is taught in programs in trade schools, community and junior colleges, and state-operated vocational-technical schools. Orchard House, Inc., in New Orleans, publishes the four-volume *Technical, Trade, and Business School Data Handbook*, edited by Deborah Otaguro, which lists schools that teach locksmithing. Entries provide information on accreditation, faculty, enrollment, curricula, degrees, tuition, and fees. The set

costs $150; each volume costs $45. Shipping fees are 6 percent of the total order; call (504) 866-8658.

Another source is *Trade and Technical Career and Training: Handbook of Accredited Private Trade and Technical Schools*, published by the Career College Association. The directory covers 98 careers—including locksmithing—and lists schools offering training in those fields. It is free and may be ordered by calling the association at (202) 336-6700.

The Associated Locksmiths of America, a Dallas-based trade association, provides basic information. Members of the group include locksmiths, as well as manufacturers and distributors of locks, keys, safes, and burglar alarms. The organization offers educational materials on various products, locksmithing procedures, and certification.

To order the information, write or call the Associated Locksmiths of America, 3003 Live Oak St., Dallas, Texas 75204; (214) 827-1701.

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Writers will be identified only by initials and city. Questions may be edited for space.

BEEKEEPING

All Abuzz

I operate a cottage business raising bees and selling honey. I need information on how to expand my business—and profits.
M.O., Jasper, Fla.

The Office for Small-Scale Agriculture, within the U.S. Department of Agriculture, conducts research and provides information on beekeeping. The agency offers a fact sheet on the history of beekeeping and the effects of insecticides, diseases, and pests on bee populations. To obtain a copy, contact the Office for Small-Scale Agriculture, Cooperative State Research Service, Room 328, Aerospace Building, U.S. Department of Agriculture, Washington, D.C. 20250-2200; (202) 401-1805.

Various other publications offer tips on how to maximize profits from the products of the hive: honey, beeswax, and royal jelly, which is used in reproduction.

Among the periodicals recommended by the Agriculture Department are *American Bee Journal*, 51 S. Second St., Hamilton, Ill. 62341, $13.95 per year; *Gleanings in Bee Culture*, 623 W. Liberty St., Medina, Ohio 44258, $13.95 per year; and *The Speedy Bee*, P.O. Box 998, Jessup, Ga. 31545, $12.50 per year.

HIRING

Electrical Expertise

I run an electrical-supply business and need help in finding good employee prospects; I've had unsatisfactory results from newspaper ads. Any suggestions?
B.G., Tampa, Fla.

Dale Yohnke, executive manager of the International League of Electrical Associations, a federation of state, provincial, and local organizations in the electrical industry, suggests that you ask business colleagues for names of qualified applicants they seriously considered but did not hire. Check all references thoroughly, he adds. For more information, you can contact Yohnke at 4930 77th St., N-150, Minneapolis, Minn. 55435; (612) 835-4808.

For general tips on finding the right employee, try *Hire the Best ... And Avoid the Rest* (AMACOM), by Michael W. Mercer, an industrial psychologist. The book is $19.95 and is available from the publisher; call 1-800-262-9699.

SHOE REPAIR

Fancy Footwork

I need information on how to start a shoe-repair shop.
G.L., Jonesboro, Ark.

An industry group, the Shoe Service Institute of America, offers useful information—some of it free—on getting started in the field, including listings of shoe-repair schools and franchisors around the nation.

The institute publishes a monthly newsletter, *Shoe Service Magazine*, which contains information on the shoe-repair industry, tips on opening and running a repair shop, and data on the latest machines, equipment, and other products on the market. The newsletter costs $18 per year. Reprints of back issues are available.

The institute's other publications on various aspects of the shoe-repair business include *Shoe Repairing*, for $18.50; *Problems and Methods in Orthopedic Shoe Repairing*, for $7; *Foot Problems: What the Shoe Repairer Can Do*, for $9; *Athletic Shoe Repair*, for $4; and *Hiking Boot Repair*, for $7.

To order the publications, or to obtain more information on what's available from the organization, contact the Shoe Service Institute of America, 5024-R Campbell Blvd., Baltimore, Md. 21236; (410) 931-8100.

CORRECTIONS

The price of the International Carwash Association's membership directory was incorrect in the August Direct Line; it is $150. It is available from the association at its new address: 401 N. Michigan Ave., Chicago, Ill. 60611; (312) 321-5199.

In the September issue, the price of *A Guide to the U.S. Exposition Industry*, issued by the Denver-based Trade Show Bureau, should have been listed as $250.

CATALOG SALES

It's In The Mail

Where can I get information on starting a mail-order business?
L.S., Danbury, Conn.
(Similar questions from N.B., Falmouth, Mass., and D.B.D., Woodbridge, Va.)

A good place to begin your research on mail order is the shop-at-home department of the Direct Marketing Association, in New York. The association holds more than 22 seminars annually across the country on topics such as postal permits, capital needed to get started, mailing lists, and government regulations. The training sessions last up to four days and cost from $200 to $1,000. For more information, write or call the Direct Marketing Association at 11 W. 42nd St., New York, N.Y. 10036; (212) 768-7277.

Also, check your local bookstore and library for the following titles: *The Golden Mailbox* (Dearborn Financial Publishing), by Ted Nicholas, $39.95; *Successful Catalog Marketing* (Dartnell Corp.), by Richard S. Hodgson, $39.95; *The Catalog Handbook* (Hippocrene Books), by James Francis Hollan III, $14.95; *Money In Your Mailbox* (John Wiley & Sons), by L. Perry Wilbur, $12.95; and *Mail Order Selling Made Easier* (Ad-Lib Publications), by John Kremer, $19.95. NB

It's Your Money

A monthly survey of strategies and suggestions to help you with your personal finances.

By Peter Weaver

TRAVEL

Frequent Fliers' Shrinking Skies

Several airlines, including American, Continental, Northwest, United, and USAir, are cutting back on their frequent-flier largess. Their frequent-flier programs are raising the amount of travel needed for a free round-trip ticket to any destination in the continental United States to 25,000 miles from 20,000 miles. The amount of travel needed for longer flights is affected as well.

"In January and February," says Emmitt Graham, airline specialist with *Consumer Reports Travel Letter,* "most airlines will devalue their award-mileage currency."

Exceptions include TWA and America West, which are staying at 20,000 miles. Delta, in a twist, is dropping from 30,000 miles to 25,000 miles, and Alaska is moving from 15,000 miles to 20,000 miles. Southwest is continuing its practice of awarding a free flight for a passenger's first 10 flights and, thereafter, a free flight for each eight flights.

PHOTO: SEVERETT JOHNSON—FOLIO, INC.

Free flights *may require more time aloft.*

You can compensate for the airlines' moves by cashing in awards now, before the changes take place. For the most part, you can get an open ticket that's good for at least a year.

And, with some airlines, there are ways to extend your awards even longer. For example, if you are an American Airlines frequent flier with miles expiring Dec. 31, says Randy Petersen, publisher of *Inside Flyer* magazine, you can request an award certificate now, good for a year, which gives you until Dec. 31, 1995, to request a ticket. When you request a ticket, Petersen says, "you don't have to use it for up to 320 days." That puts you into October 1996. You can change the date for free and the destination for a $25 fee.

Members of frequent-flier programs should also check their statements for mileage that is about to expire. If so, pick a destination a year before the expiration date and ask for the award. You can always change the date and destination later. "These awards are worth from $300 to $500 on up to $1,000," says Petersen, "so it's worth the effort."

INVESTING

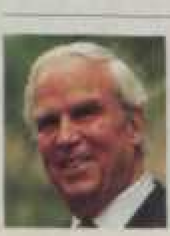
Should You Choose A Discount Broker?

Maybe you've seen the ads: "We discount commissions—not service." "Never trust anyone over 30—we charge $29 per order. Any stock. Anytime." "Only 3 cents per share commission!"

No, Wall Street hasn't lost its mind. It's just the growing band of discount brokers plying their trade. Most of the discounters charge a fraction of the commission you would pay a full-service broker.

"Most investors who can make investment decisions on their own should be using a discount broker," says Victoria Felton-Collins, a partner in the Irvine, Calif., financial planning firm of Keller, Coad & Collins.

On the other hand, she says, "if you need someone to give you a lot of advice and plan your portfolio, you should stick with a full-service brokerage firm."



Peter Weaver is a Washington-based columnist on personal finance.

While the discounters don't provide much investment advice for their customers, some do offer printed investor-support services, such as background research on specific stocks and trading statistics.

There are hundreds of discount brokers. Some, such as the big three, Charles Schwab & Co., Fidelity, and Quick & Reilly, have offices in most major metropolitan areas, while others are more regional or local.

"Who you choose depends a lot on the kind of investing you're doing," says John Markese, president of the Chicago-based American Association of Individual Investors. He suggests outlining one of your normal trades so you can shop around to see who offers the best price along with the services you need.

As a rule, the better the discount on commissions, the less you get in the form of stock-research services and other amenities. The more help you need, the more you have to pay.

"If you want to do a lot of investigating of local companies or other small-capital companies around the country," Markese says, "you'll probably be better off working with a full-service brokerage firm that specializes in this field."

Even if you do use a full-service broker, you may still be able to cut commission costs. "If you become a good customer, ordering quite a number of trades, you can ask for discounts and probably get them because they want to keep you as a customer," Felton-Collins says.

Two national services that provide information on discount brokers are Mercer Inc. and the American Association of Individual Investors.

Mercer, based in New York, has come out with its *Discount Brokerage Survey,* which lists commission schedules broken down by sample trades. The company also offers a *Discount Brokerage Directory,* which lists all of the services offered by discounters, their extra fees, and the firms' length of time in business, but no price quotes. The publications are priced at $34.95 apiece or $64.95 for both. For more information, call 1-800-582-9854.

The American Association of Individual Investors has an *Annual Discount Broker Survey* for its members; it lists transaction costs and special services. Membership costs $49 a year and includes the discount survey, a monthly investor magazine, and an annual mutual-fund guide.

For more information, write to AAII, 625 N. Michigan Ave., Chicago, Ill. 60611, or call (312) 280-0170.

INSURANCE

Hot Competition Among Long-Term-Care Insurers

Competition among sellers of long-term-care insurance has become fierce. Long-term-care policies are designed to protect the insured from having to pay from $25,000 to $50,000 a year to a nursing home. Initially, the policies restricted benefits to those being discharged from a hospital and unable to handle several activities of daily living, such as dressing, feeding oneself, and using the bathroom.

Now, there are fewer restrictions, says Norma Severns, a financial planner based in Washington, D.C. For example, she says, "Most policies only require needing assistance with two daily-living activities, instead of three or four."

In addition, some policies now pay for a geriatric-care coordinator to help the insured manage a home-care program.

Susan Polniaszek, a long-term-care insurance consultant in Clarksville, Md., says, "Some companies are even offering step care, involving the possibility of home care, then assisted-living care, and, finally, nursing-home care."

Both Severns and Polniaszek say they're beginning to see policies that have a "return-of-premium" feature or are tied to an annuity. "With these," says Severns, "some money is paid back to the policyholder's estate if the money wasn't used to pay for nursing-home costs."

Severns notes that the extra cost of the pay-back feature may make it financially unattractive, but with all the competition in the field, future "pay-back" policy pricing might come down to the point where it's worth considering.

Who needs long-term-care insurance? "It depends on your financial situation," Polniaszek says. "It doesn't make much sense for people who have less than $100,000 to $200,000 in assets." It's too expensive for what they get, she says, explaining that "when they spend down their assets, they can qualify for free Medicaid coverage."

On the other hand, Polniaszek says, people who are in the $200,000 to $1 million asset range are good candidates for long-term-care insurance. But she adds that "people with more than $1 million or so in assets are not as good candidates because they can afford to insure themselves."

PHOTO: ©CHARLES GUPTON—UNIPHOTO

Long-term care *can be provided through insurance, but examine policies carefully.*

Level-Premium Policies On Their Way Out

One of the most popular types of life insurance, the level-premium term policy, will soon be taken off the market. Only new policies will be affected; existing policies will remain in force.

Level-premium policies guarantee the same premium for as long as 10, 15, or 20 years. With regular term insurance, the premium is raised every two to five years to keep pace with the policyholder's age.

"The National Association of Insurance Commissioners approved new financial guidelines that require insurance companies to significantly raise their reserves to back up their long-term, level-premium policies," says Margaret Welch, a partner in the Washington, D.C., financial-planning firm of Armstrong, Welch and MacIntyre, "and this will make them prohibitively expensive."

The insurance commissioners' association, an industry trade group based in Washington, D.C., was concerned because a lot of smaller insurance companies had begun to offer the long-term, level-premium policies. A future negative turn in mortality rates, the association feared, might make the small insurers unable to pay all of their death-benefit obligations.

"You'll still be able to get guaranteed, level-premium term insurance for a five-year period," Welch says. NB

To Your Health

Managing well includes managing your own health; here is advice to help you do that better.

By Marcia Levine Mazur

Cataracts: When The Fog Sets In

When Jacob Leonard stepped outside his Washington, D.C., home one day last winter, objects seemed to radiate a dazzling light.

A mystical experience? No. A cataract.

But cataracts don't always announce themselves so dramatically. Peggy Abbott of Bear, Del., began having trouble with glare and distance vision seven years ago. Then she found that her glasses needed to be changed more frequently. "I was changing lenses every six months," she recalls, "but it got to the point where even that didn't help." Abbott, too, had a cataract.

That word—Latin for waterfall—reflects the old notion that cataracts are caused by an abnormal flow of liquid through the eye. Doctors now consider cataracts part of aging. Other symptoms include blurred or distorted vision, a yellowish tinge to objects, and an increased need for light in order to see well.

When we're young, the lenses in our eyes are clear; light passes through easily. But as we age, the lenses become clouded; light has difficulty getting through. That clouding of the lens is called a cataract.

Although children occasionally get cataracts, the condition is mainly a problem for people over 60. In fact, we have a 50 percent chance of developing a cataract when we're between 65 and 74, with the likelihood increasing to 70 percent once we pass 75. Dr. Donald Schwartz of Long Beach, Calif., spokesman for the American Academy of Ophthalmology, puts it this way: "If we all lived until we reached 120, we would all have cataracts."

In addition, eye injuries, long-term unprotected exposure to sunlight, certain medications, and diseases such as diabetes increase chances for a cataract.

When a cataract is discovered in an eye, there is probably one in the other eye as well. Surprisingly, though, the cataract in one eye may develop slowly while the one in the other eye develops quickly. Most cataracts do progress, however, and with time, most cause decreased vision.

Fortunately, cataracts are easily detected by an ophthalmologist. And there is generally no rush to remove them. The time to take out a cataract is when it interferes with normal life.

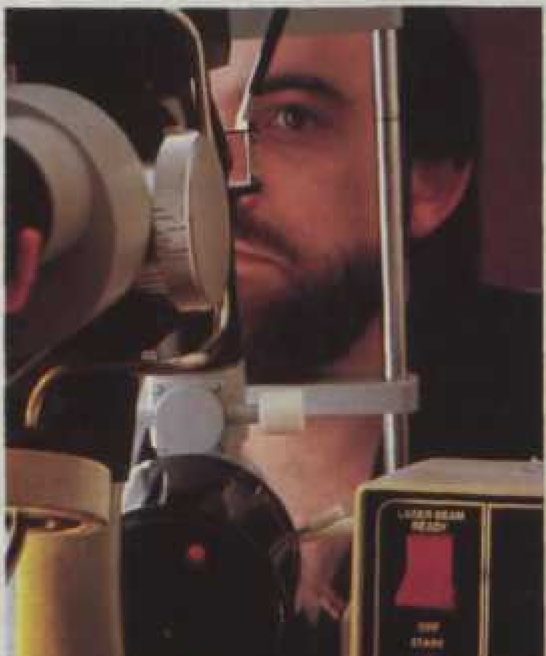


PHOTO: ©GABE PALMER—THE STOCK MARKET

Should your cataracts *be removed? Not until they interfere with everyday living.*

But once that time comes, there's only one answer: surgical removal of the clouded lens, which has become an outpatient procedure. Today, a patient might sign in at 9 a.m., have the surgery performed under local anesthesia by the ophthalmologist, and be home by noon. There's little discomfort, except for slight eye irritation for about a week.

Abbott recalls her cataract operation: "I was sort of awake. I saw pink and blue lights, but there was no pain. It took about half an hour, and then they brought me back to the room, sat me up, and gave me toast and coffee."

Once, such an operation meant weeks in bed with weights stationed on each side of the head to keep it from moving. That's because sutures weren't small enough to sew up the opening where the lens had been removed. Patients had to lie flat until the eye healed, and the use of eyeglasses with thick lenses was required thereafter. But no more.

Today, thanks to an unusual legacy of World War II, the lens is replaced. Schwartz tells of a British ophthalmologist, Harold Ridley, who noticed that pilots sometimes got fragments of windshield plastic in their eyes during battle. "But, surprisingly," Schwartz says, "their eyes didn't reject the plastic." And so plastic replacements for cloudy lenses were introduced.

Now, they are called intraocular lenses (IOLs). The IOL, a tiny, lightweight plastic disc, is permanent. And it produces a realistic, undistorted image. The great majority of cataract-clouded lenses removed today are replaced by IOLs.

But a problem remains. Because the IOL is not a natural lens, it can't adjust its focus for near and distant images. That means a pre-surgery decision has to be made.

Dr. John Millwater, Leonard's ophthalmologist, explains: "The patient and doctor have to decide where the IOL lens should have its best correction, either near or at a distance. And that depends on a number of factors, including the status of the vision in the other eye." Because the focus of the IOL must be corrected, people who have had cataracts removed must still wear regular eyeglasses.

While this type of surgery, like any other, has its risks, the American Academy of Ophthalmology reports that cataract surgery is 90 to 95 percent successful.

For free information on cataracts, send a stamped, self-addressed envelope to: Inquiry Clerk, Cataract Surgery Brochure, American Academy of Ophthalmology, P.O. Box 7424, San Francisco, Calif. 94120-7424. NB

Marcia Levine Mazur, a writer in Washington, D.C., specializes in health-care topics.

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Where I Stand

On Health-Care Reform

Background: Efforts of President Clinton and the Democratic leadership on Capitol Hill to overhaul U.S. health care collapsed for lack of congressional support. However, advocates of massive change say they will try again next year to achieve such goals as universal coverage based on employer mandates, federal subsidies to help small businesses cover workers, and, in some proposals, cost controls. These questions seek your views on the direction of the next round of the debate on health-care reform.

Results of this poll will be forwarded to administration and congressional officials. Send the attached, postage-paid response card. Or circle your answers below and fax this page to (202) 463-5636.

1 Should Congress continue to consider employer mandates as part of health-care-reform legislation?

1. Yes
2. No
3. No opinion

2 Should Congress continue to consider federal subsidies to small businesses and to low-income individuals to buy health insurance?

1. Yes
2. No
3. No opinion

3 Should federal cost controls on physicians' services and hospital fees be part of reform legislation?

1. Yes
2. No
3. No opinion

4 Would you accept limits on the right of employers to self-insure their health-care plans rather than purchase coverage from an insurance company?

1. Yes
2. No
3. No opinion

5 Should health-care plans be required by law to accept any physician wishing to join regardless of the impact on a plan's bottom line or quality of care?

1. Yes
2. No
3. No opinion

6 Taxation of health-insurance premiums is among the proposals for financing health-care reform. Would you support such a tax?

1. Yes
2. No
3. No opinion

Send Your Response Today!

POLL RESULTS

Readers' Views On Immigration

Readers responding to a *Nation's Business* poll expressed strong opposition to providing tax-supported social services to illegal aliens. The respondents also endorsed by a wide margin the elimination of the provision in the U.S. Constitution conferring citizenship on children born in this country to noncitizens.

The survey, taken in August, deals with an issue that has been in the public eye for some time but has gained expanded prominence recently as a result of sharply increased attempts by Cubans and Haitians to enter the United States.

Earlier, governors of some states that have seen an influx of illegal immigrants had argued that illegal immigration is basically a national issue and that the federal government should reimburse them for the costs of providing education and other social services to illegal aliens.

That debate has been eclipsed of late by the Cuban and Haitian situations, which include not only vast numbers of refugees fleeing their homelands in hopes of gaining entry to the United States but also, in Haiti's case, the prospect of a U.S. invasion to correct conditions that spurred the exodus.

Eventually, however, policy on illegal immigration is likely to be considered within a framework broader than the current Cuba-Haiti focus.

Illegal immigration from Latin America and some Asian nations was a major source of the earlier concern about the cost of the influx. Those regions continue to figure in the discussion of this issue, as will the results of surveys like the one taken by *Nation's Business*.

Here are the complete results of that poll:

IMMIGRATION

Should illegal aliens be prohibited from receiving welfare and other social services from government agencies?	1. Yes 2. No 3. No opinion	96% 4 *
If illegal aliens are to continue to receive social services, should the federal government help states meet the cost?	1. Yes 2. No 3. No opinion	70% 25 5
Should the federal government pay state/local law-enforcement costs incurred in the prosecution of illegal immigrants?	1. Yes 2. No 3. No opinion	78% 18 4
Should children of illegal aliens be barred from U.S. public schools?	1. Yes 2. No 3. No opinion	73% 23 4
Should the U.S. Constitution provision conferring citizenship on children born in this country to noncitizens be eliminated?	1. Yes 2. No 3. No opinion	78% 19 3
Should federal requirements that state and local funds be used to provide health-care services to illegal aliens be repealed?	1. Yes 2. No 3. No opinion	93% 5 2

* Less than 0.5%

For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

PLANNING

Strategies To Help Reduce Your Taxes

Business owners may want to take a number of tax-planning steps before Dec. 31 to reduce their 1994 business and individual taxes.

First, estimate taxable income for 1994 and then project taxable income for next year. If your taxable income will be about the same in 1995 as it was in 1994 and Congress doesn't change the 1995 tax rates, then the best strategy would be to defer income to 1995 and accelerate expenses into 1994.

For example, to defer income, a doctor using the cash method of accounting can delay sending out December bills until the end of the month so payments won't be received until 1995. A manufacturer using the accrual method of accounting can slightly delay deliveries or the completion of jobs.

(Under the cash method, income is taxable when received, and expenses are deductible when paid. Under the accrual method of accounting, income is taxable when earned, and expenses are deductible when incurred.)

Expenses can be accelerated by prepaying items, such as mortgage interest. Also, last-minute purchases of depreciable property can result in some significant tax savings. For example, a business asset such as a computer that was placed in service in December would for tax purposes be considered as having been placed in service in the middle of the year, and the owner would be entitled to take half a year's depreciation on the firm's tax return.

PHOTO: ©CHUCK SAVAGE—UNIPHOTO

Gifts to your children *or grandchildren can help with your tax planning.*

There are also numerous tax-planning strategies for individuals. If you plan to sell appreciated stock, for instance, consider waiting until January. This way, you will defer the gain until 1995 and defer paying taxes owed on the gain until 1996.

Another step is to accelerate expenses by paying your final estimated state taxes by the end of December. While these taxes are generally due in January, paying them early enables you to obtain a deduction on your 1994 tax return.

Also consider giving gifts to your children or grandchildren before the end of the year. An individual can give up to $10,000 a year to any person without paying a gift tax; a couple can give up to $20,000 per recipient without incurring the gift tax.

A variety of tax-planning strategies is available for individuals and companies. An accountant can help calculate and project your 1994 and 1995 income and determine a course of action that is best for you.

BUSINESS ORGANIZATION

Added Flexibility For S Corporations

A recent Internal Revenue Service ruling effectively lifts one of the main stumbling blocks small companies have faced in selecting the S corporation as a form of corporate organization.

Congress previously limited the use of S corporations to companies with a maximum of 35 shareholders. In a 1977 revenue ruling, the IRS said this limitation could not be circumvented by forming multiple S corporations, such as four corporations with 25 shareholders each, to operate a common business through a partnership. Apparently, officials at the IRS believed such an arrangement would have made administering S corporations too complicated.

Nevertheless, several private letter rulings that were issued by the IRS after 1977 allowed multiple S corporations to operate through a partnership. Though these private rulings give an indication of the IRS's reasoning, they do not establish precedent. But the new decision by the IRS, Revenue Ruling 94-98, does.

As a result, for example, you can now obtain S corporation treatment for a business with 100 shareholders, provided that you do some extra paperwork.

This new ruling essentially puts the S corporation on par with the limited-liability company (LLC) regarding the number of shareholders.

The LLC, which is now recognized in most states, combines the corporate characteristics of limited liability with the income-tax benefits generally available only to limited partnerships and S corporations. (For more on LLCs, see "A Liability Shield For Firms," in the August issue.)

Keep in mind that there are still restrictions on the type of shareholders in an S corporation that do not apply to LLCs. The S corporation cannot have foreign citizens, corporations, or partnerships as shareholders.

Moreover, an LLC—unlike an S corporation—can have more than one class of stock and can own stock in a corporation. In addition, the liabilities of the LLC are included in the tax basis of the members' interests, unlike in an S corporation. This can be a critical difference for companies, such as those owning real estate that generates tax losses.

It's important to note that for multistate businesses, an LLC may not be appropriate; not all states allow LLCs. But other businesses may want to consider this form of business structure. Consult your accountant.

Tax lawyer Albert B. Ellentuck is counsel to the Washington, D.C., law firm of King & Nordlinger. Readers should see tax and legal advisers on specific cases.

Editorials

The Welfare System: It Is Broke, And It Does Need Fixing

Some welfare-reform proposals pending in Congress would limit recipients to two years of benefits. Other recommendations would deny additional benefits to welfare mothers who had additional children. Nearly all reform plans propose mechanisms for training welfare recipients for the job market.

Those and other suggestions have been offered for a major debate due in the new Congress on overhaul of the present, failed welfare system.

There are signs that this debate will produce changes serving the needs of the taxpayers who finance welfare benefits and the individuals who receive them.

For too many years, discussion of welfare policy centered on the amount of money to be dispensed. It became apparent, however, that that approach was simply fostering the very problems that caused dependency in the first place. It undermined work incentives, subsidized illegitimacy, produced multigenerational welfare families, and, perhaps worst of all, trapped too many people in a dead-end world.

Given those conditions, even the most ardent defenders of the system as it has existed since its creation 60 years ago are conceding that it has fundamental problems that cannot be solved by increasing the amounts of checks.

The upcoming debate will center on the extent to which individuals should take responsibility not only for ending dependency on public funds but also for curtailing behavior that can lead to dependency. On the other hand, it will also deal with steps that society can take to help families break the welfare cycle that has condemned them to life on the margin.

The problems are deep, and some might prove intractable. And there is little likelihood that even the most sweeping overhaul will meet President Clinton's grandiose pledge to "end welfare as we know it."

But the very fact that a debate is to be held and that it will deal with the fundamental issue of responsibility represents welcome progress.

It will be up to the business community, which has a strong stake in welfare reform both as employers and taxpayers, to insist that the legislation resulting from the debate represents even more progress. ■

A Warning Signal From California

For better or worse, many innovations in California eventually have a nationwide impact. Political analysts often cite that state's property-tax curbs 20 years ago as the beginning of the tax revolt that later swept the country.

But a more recent development in that state is cause for serious alarm.

The Supreme Court of California—where insurers have been coping with high claims as a result of earthquakes and fires and with sharp increases in claims for auto injuries—has upheld government-imposed limits on insurance-company profits.

Opponents argued that depriving a company of revenues by governmental fiat amounts to the taking of private property without adequate compensation. Rejecting that point, one of the Supreme Court's justices said that some companies had withdrawn from the California market in the face of the law and that those who stayed had therefore voluntarily subjected themselves to the law.

That would mean, by extension, that individuals who retain ownership of private property forfeit their rights to oppose any government intrusions that amount to a taking of that property. That is bad law and bad economics.

The California decision should warn owners and managers of every type and size of business that the battle to guard their rights is an unending one. NB

Free-Spirited Enterprise

By Janet L. Willen

A Secret Stash

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Money Shield is a plastic insert that you place into an individual bill slot in your cash register. The cover of the shield keeps your money out of sight. Just lift the cover when you need to make change. Each shield holds up to 80 bills. **Lumar's Enterprises,** of Riverside, Calif., designed the Money Shield to deter robbers.

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Ask a new client to send referrals your way, and you may get nowhere. Cultivate a repeat client, and you'll get referrals—without asking. Why? A repeat client trusts you and values your product.

That's one of the messages in a 75-minute audiotape, "Referral Magic: 17 Ways to Let Your Clients Do Your Selling," published by **Gemstone Publishing,** in Rutland, Vt.

Sales trainer David Garfinkel describes both short- and long-term methods of getting referrals.

The tape costs $29.95, plus $4 for shipping. For more information, call the publisher at 1-800-GEM-7850, or 1-800-436-7850.

Just Like New

What could be more comfortable than an old pair of shoes? For customers of **Allen-Edmonds Shoe Corp.,** of Port Washington, Wis., the answer might be a refurbished pair.

The shoe company, established in 1922, offers to refurbish any pair of its shoes for $80, provided the leather uppers are not ripped or torn. A new pair of Allen-Edmonds shoes costs from $230 (for black dress shoes) to more than $1,500 (for alligator shoes).

Refurbishing includes replacing old heels, soles, cork lining, and laces; rejuvenating the leather by stripping away wax, polish, and dyes; applying a new finish; and then waxing and hand polishing.

The company says it has supplied this service for years to customers who have requested it. Five years ago, it announced the service to all customers, and it has been refurbishing about 700 pairs a month for the past year.

For more information, call 1-800-235-2348.

Looking Ahead

Don't be surprised if you fail the five-minute computerized quiz on retirement planning that comes with Ready, Aim ... Retire. Most people do on their first try.

Ready, Aim ... Retire is a retirement-planning program written by Campbell Brown Jr., a specialist on the subject in the Huntington, W.Va., office of a nationwide investment firm.

The 36-minute videotape is in two parts. First, retirees—two couples and one woman—describe the processes of planning their finances for retirement. Then, the videotape outlines how to structure your finances to avoid unnecessary taxes and how to invest in ways best suited to your circumstances.

The program comes with a 48-page guidebook and a one-page worksheet to help you through the steps of retirement planning.

Take the quiz again after you've gone through the program, and you should pass.

The complete kit contains the video, workbook, worksheet, and a $3^1/_2$-inch, IBM-compatible disk. The kit costs $19.95, plus $3.50 for shipping and handling. For more information, call 1-800-496-PLAN, or 1-800-496-7526.

Way To Go

Corporate rates aren't just for corporations. A service from **MovePower, Inc.,** in Southport, Conn., offers individuals who are relocating the discounts and personal service that large employee groups are accustomed to.

MovePower arranges for moving of household goods at discount prices, and it provides one-on-one consultation on mortgages and home selling and buying. The company provides a book, *Buying, Selling & Owning YOUR HOME,* and an eight-page guide to the capital-gains tax.

Personalized services include the names, addresses, and phone numbers for a variety of services in the destination area, including board-certified doctors, child care, supermarkets, motor vehicle departments, and recreational facilities. For most services, MovePower provides listings for up to three ZIP codes.

The service costs $49.95, plus $3.45 for shipping and handling. For an additional charge, MovePower will provide information for six months.

For more information, call 1-800-MY-BEST-MOVE, or 1-800-692-3786. NB

If you're too busy to come to our retirement seminar, you'll probably be working late. Like till you're 81.

Statistics indicate that we're living longer (approximately 82 years) and working longer, yet most of us have put away less than $10,000 for our retirement. Since resale prices for most businesses are dropping – and have been for the past 5 years – we can't rely on selling our businesses to fund retirement. Which suggests we all may be working *a lot* longer... like till we're 81.

Considering that nearly one-third of all small businesses do not have a retirement plan in place, the U.S. Small Business Administration and Connecticut Mutual are hosting a series of seminars about business valuation, estate and, of course, retirement planning. A panel of experts will conduct the seminar so that business owners can get an excellent overview – in just a few hours – of what they need to know. To find the seminar location nearest you call us at 1-800-367-2865. And forget working late.

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The Business Advocate

SUPPLEMENT TO Nation's Business OCTOBER 1994

U.S. Chamber of Commerce

U.S. Chamber President Richard L. Lesher (at microphones) outlined the organization's objections to a health-care proposal by Sen. Majority Leader George J. Mitchell, D-Maine, at an Aug. 12 press conference on Capitol Hill. Others speaking out against the bill, from the left, included Sens. Connie Mack, R-Fla., Don Nickles, R-Okla., Paul Coverdell, R-Ga., Dan Coats, R-Ind. (at left behind Lesher), and Phil Gramm, R-Texas (right). See the related story on Chamber health-care actions on Page 100.

Help Set The Agenda

The U.S. Chamber of Commerce kicked off a grass-roots operation Sept. 8 in which members are helping to establish the business federation's agenda for 1995-1996.

The opening event was a satellite teleconference that afforded members at sites throughout the country an opportunity to make their views known. The second phase consists of a survey being sent to all Chamber members with this issue of *The Business Advocate* and the October *Nation's Business*.

(More information on issues listed in the survey appears in GAIN Update on Page 103.)

"The teleconference and the survey are in-

Continued on Page 99

Respond To Accompanying Member Survey

■ Progress

Victory On Purchasing

A bill to simplify the federal government's process for buying goods and services was expected to be approved by Congress and sent to the president for enactment in September.

The U.S. Chamber of Commerce has pressed diligently to encourage streamlining the procurement process. It worked with lawmakers in the House and Senate to get specific reforms included in the legislation to make selling to the government more attractive to small businesses.

The Chamber-backed legislation encourages the federal government to purchase more commercial goods directly off the shelf. Currently, virtually everything the government buys must meet detailed specifications.

The Senate approved the procurement-reform measure, crafted from separate House and Senate bills by a House-Senate conference committee, on Aug. 23.

The House was expected to adopt the conference bill in September.

Among other provisions, the procurement legislation would:

■ Set aside agency contracts between $2,500 and $50,000 to $100,000—depending on an agency's level of computerization—for small-business bidders. Currently, the set-aside applies only to contracts worth less than $25,000.

■ Lighten the paperwork burden for companies involved in smaller purchases. For purchases of less than $2,500, government agencies can buy goods and services without going through the bid process.

■ Create an electronic data-interchange system to allow small firms to tap into internal government bulletin boards where agencies post notices of purchasing requests.

■ Raise the threshold for relatively simple purchases from $25,000 to $100,000. When selling the government goods or services costing less than $100,000, companies no longer must endure complex procedural requirements and recordkeeping and volumes of paperwork.

■ Simplify the process for commercial purchases. The measure waives more than 30 laws that require firms to provide government agencies with detailed cost and pricing data and other information. The cost and pricing data would have to be submitted for contracts of $500,000 or more.

■ Improve government explanations of why a company did not win a contract to help firms in subsequent efforts to secure federal business.

The Acquisition Reform Working Group, an ad hoc coalition of government contractors and organizations, including the U.S. Chamber, whose members are involved with federal procurement, said the Federal Acquisition Streamlining Act of 1994 "will provide the foundation for fundamental changes in government business practices and an important opportunity to reinvent the culture of acquisition by placing greater reliance on judgment, integrity, professionalism, and the forces of the marketplace rather than on minutely detailed directives and regulations."

The Chamber plans to work for continued improvements in the procurement process.

■ Praise

Sen. Orrin G. Hatch, R-Utah, recently praised the U.S. Chamber of Commerce for its efforts in helping to defeat legislation that would have prohibited employers from permanently replacing strikers.

"The U.S. Chamber of Commerce was very instrumental in helping to defeat the striker-replacement legislation," said the lawmaker, who led the fight against the measure in the Senate.

The labor-backed bill, which was passed by the House, was defeated July 13 when its supporters in the Senate failed for a second time in two days to get the 60 votes necessary to cut off a prolonged debate and to bring the measure to the floor for a vote.

■ OSHA

Safety Rules Moving Ahead

Legislation to overhaul the nation's workplace safety and health law is probably dead for this year, but efforts are being made to implement many of the provisions in the measure anyway.

The Department of Labor, which administers the Occupational Safety and Health Act—a statute Congress has been working to rewrite—has proposed a number of new workplace safety and health rules during the past year, including a requirement that companies establish labor-management health and safety committees. The department already has increased the minimum penalties for willful, serious violations of OSHA.

These measures are similar to provisions included in OSHA reform bills introduced in the current Congress.

Labor Secretary Robert Reich recently acknowledged the pending overhaul legislation is dead for this session, scheduled to end in early October, even as his department is moving ahead to implement administratively rules similar to some of the legislation's proposals.

"The Labor Department is attempting to use the back door of the bureaucratic regulatory process to obtain what it cannot obtain legislatively," said Peter Eide, manager of labor law for the U.S. Chamber of Commerce.

Respond Today

Your Views Will Help Set The Agenda

Continued from Page 97

tended to give U.S. Chamber members a chance to help write the program of work they underwrite," says Bruce Josten, Chamber senior vice president/membership policy. "Strong participation is critical to ensuring that our agenda is member-driven."

The National Business Agenda teleconference was beamed via satellite to 251 locations around the country from the U.S. Chamber's headquarters in Washington.

Results of the survey will go to the Chamber's policy committees, which will then make policy recommendations to the organization's board of directors.

U.S. Chamber Senior Vice President for Membership Policy Bruce Josten, right, and policy vice presidents, from left, Martin Regalia, Willard Workman, and Jeffrey Joseph discussed issues expected to emerge in 1995 at the Sept. 8 business agenda teleconference.

The board will approve the formal agenda setting forth the organization's priorities for the next Congress. It will be presented to the Clinton administration and members of the 104th Congress early next year. Chamber members will be notified of the agenda's content in a future issue of *The Business Advocate.*

In opening remarks at the teleconference, William C. Marcil, the Chamber's 1994-1995 chairman, told members at the 251 sites: "Your participation today is vital. When we speak to Congress and the executive branch, they know we speak for hundreds of thousands of business men and women in every community of the nation."

Chamber President Richard L. Lesher, who urged the federation's members to complete the survey and to join the Chamber's Grassroots Action Information Network, added that "every member of Congress is keenly interested in what business has to say about public issues."

To help participants understand the issues likely to evolve during the next Congress, the Chamber's vice presidents for economic, international, and domestic policy presented their outlooks for next year.

Martin A. Regalia, vice president/economic policy and the Chamber's chief economist, said the federal budget and taxes would play particularly significant roles in the next Congress because it leads into the 1996 presidential-election year.

If the economy continues its modest growth rate, he said, Congress will be unlikely to advance any dramatic economic or tax legislation but rather will focus on long-term budget-reform measures.

If the economy falters, he said, lawmakers will likely propose a capital-gains tax cut or resurrect President Clinton's economic stimulus package, which business helped defeat in early 1993. Regardless of the state of next year's economy, overhaul of the tax system is likely to see at least some debate, Regalia said.

On the international front, with markets around the world opening and growing, said Willard A. Workman, vice president/international policy, Congress will be asked to act on legislation to foster exports of U.S. goods and services. Measures expected to be considered relate to implementing the General Agreement on Tariffs and Trade and to including Latin American countries, such as Chile and Brazil, in the North American Free Trade Agreement.

Issues in the domestic policy arena are expected to crowd the legislative docket in 1995, said Jeffrey Joseph, the Chamber's vice president/domestic policy. Measures to reform the nation's labor laws, to ban replacement of striking workers, to overhaul workplace safety and health laws, to reauthorize onerous environmental statutes, and to streamline the education and training system are all likely to see action in Congress next year.

Health-care reform, although still important, is not expected to be as prominent in 1995 as it was this year.

Reform of the product-liability system is expected to again be a top priority for business. The Senate failed earlier this year to approve a bill to create a uniform law.

The Chamber's policy experts answered questions from members at the downlink sites before the program turned to an outlook for the 1994 congressional elections.

Christopher Matthews, a columnist for the *San Francisco Examiner*, and Doug Bailey, executive publisher of *The Hotline*, a Virginia-based political newsletter, gave their predictions and analyses of the congressional races. Both expect Republicans to gain seats in the House and Senate.

Nov. 8

Business People Urged To Vote

The U.S. Chamber of Commerce is stressing the importance of business participation in the November elections.

It is encouraging business people to register to vote and to cast their ballots on Nov. 8. Employers are also being urged to encourage their employees, through such means as reminders about Election Day, to vote.

The importance of voting is reflected in the 1992 elections. That year, in more than 50 races the candidates were separated by 5 percent or less of the votes; several House races were decided by just hundreds of votes.

"Every person's vote counts," said Greg Wilson, manager of public affairs for the U.S. Chamber. "A few hundred votes in a race could be the difference between the election of a candidate who is committed to pro-growth, entrepreneurial policies and one who is not.

"With all 435 U.S. House seats being contested and 35 U.S. Senate seats up for grabs, voters have a great opportunity to help shape the next Congress."

■ Battle Continues

A Partial Victory On Health Care

The U.S. Chamber of Commerce played a leading role in defeating radical health-care-reform proposals on Capitol Hill this year but is so far claiming only a partial victory for American business.

In addition to killing proposals for employer mandates and the creation of a massive new federal bureaucracy, the Chamber's goals included passage of a plan containing the eight market-based reforms recommended by the organization. The business federation continued to work intensely for passage of those reforms as Congress returned to work in mid-September after a two-week recess.

The partial victory for business came when proposals by Senate Majority Leader George J. Mitchell, D-Maine, and House Majority Leader Richard A. Gephardt, D-Mo.—which had strong similarities to President Clinton's proposal—were pulled from consideration.

Sen. Bob Packwood, R-Ore., left, and Rep. Newt Gingrich, R-Ga., center, voice their opposition to President Clinton's health-reform proposals at a forum sponsored by the Republican National Committee and held at the U.S. Chamber. RNC Chairman Haley Barbour moderated the discussion.

The Mitchell and Gephardt bills would have required employers to pay for most of their workers' health-insurance premiums, imposed new taxes, and injected significant government bureaucracy into the health-care system—all measures opposed by the Chamber.

In efforts to defeat those proposals, the Chamber mounted an all-out offensive. In June, it kicked off a campaign, which is continuing, to win pledges from lawmakers and candidates for Congress that they would oppose any proposal to require employers to pay for their workers' health-insurance premiums, to impose new taxes or to add government bureaucracy. (See the list of pledge signees on Page 101.)

U.S. Chamber President Richard L. Lesher, right, discusses business's opposition to a health-care employer mandate and a recent *Nation's Business* article on health-care reform with Senate Minority Leader Bob Dole, R-Kan.

The Chamber joined with Sen. Bob Packwood, R-Ore., the top Republican on the Senate Finance Committee, and other senators in late June to announce support for a proposal by Senate Minority Leader Bob Dole, R-Kan., which embodied the Chamber's eight-point "American Plan."

The Chamber plan was formulated in response to a poll of the organization's 220,000 members. It calls for:

■ Insurance reforms to ensure availability and portability of coverage.

■ Consumer choice.

■ Purchasing pools for small employers and individuals.

■ Simplified administration.

■ Malpractice reform.

■ Price and quality report cards on health-insurance plans.

■ A standard minimum benefits package that all insurers would offer to allow comparison shopping.

■ One hundred percent deductibility of insurance premiums paid by the self-employed.

When debate over the Gephardt and Mitchell plans intensified in July, Chamber staff members stepped up visits to lawmakers' offices, making more than 300 visits in that month alone. As part of its campaign against those plans, the Chamber voiced its opposition to the Gephardt proposal in testimony Aug. 4 before the House Small Business Committee. It also outlined its objections to the Mitchell plan at a press conference on Capitol Hill Aug. 12 and was among signers of a full-page ad in *The Washington Post* urging opposition to the proposals.

While continuing to support the Dole proposal, the Chamber was working in September against a proposal offered by a bipartisan group of senators as a compromise. The Chamber had numerous significant objections to the plan outlined by the Mainstream Coalition. (For details on the plan and business's objections, see the related story in *Nation's Business* on Page 46.)

The Chamber's health-care-reform efforts on behalf of employers have been widely reported, with coverage on the ABC, CBS, CNN, and NBC television networks, in *Business Week* magazine, and in virtually every major newspaper throughout the country.

Among the newspapers including coverage were *The Los Angeles Times, The Washington Post, The Wall Street Journal, The New York Times, USA Today, The Chicago Tribune, The Boston Globe, The Atlanta Constitution, The Houston Chronicle*, and *The Detroit Free Press*.

The Chamber's full efforts will continue as Congress completes its work for the year.

Health Care

Pledge Push Continues

In late June, the U.S. Chamber of Commerce began urging lawmakers to sign its pledge to oppose employer mandates, tax increases, and expansion of the government bureaucracy as part of any health-care reform legislation.

As of early September, these members of Congress had signed the pledge:

U.S. Senate

COLORADO
Hank Brown (R)
FLORIDA
Connie Mack (R)
GEORGIA
Paul Coverdell (R)
IDAHO
Larry E. Craig (R)
INDIANA
Dan Coats (R)
Richard G. Lugar (R)
KANSAS
Bob Dole (R)
MONTANA
Conrad Burns (R)
NORTH CAROLINA
Jesse Helms (R)
OKLAHOMA
Don Nickles (R)
SOUTH DAKOTA
Larry Pressler (R)
TEXAS
Kay Bailey Hutchison (R)
WYOMING
Malcolm Wallop (R)

House Of Representatives

ALABAMA
Spencer Bachus (R)
ARIZONA
Jon L. Kyl (R)
Bob Stump (R)
ARKANSAS
Jay Dickey (R)
CALIFORNIA
Bill Baker (R)
Ken Calvert (R)
C. Christopher Cox (R)
John T. Doolittle (R)
Wally Herger (R)
Jay C. Kim (R)
Jerry Lewis (R)
Howard P. (Buck) McKeon (R)
COLORADO
Wayne Allard (R)
Joel Hefley (R)
Scott McInnis (R)
Dan Schaefer (R)
FLORIDA
Charles T. Canady (R)
Porter J. Goss (R)
John L. Mica (R)
GEORGIA
Newt Gingrich (R)
Jack Kingston (R)
John Linder (R)
ILLINOIS
Philip M. Crane (R)
Thomas W. Ewing (R)
Harris W. Fawell (R)
J. Dennis Hastert (R)
INDIANA
Dan Burton (R)
IOWA
Jim Lightfoot (R)
KANSAS
Pat Roberts (R)
KENTUCKY
Jim Bunning (R)
LOUISIANA
Richard H. Baker (R)
Bob Livingston (R)
MARYLAND
Roscoe G. Bartlett (R)
MASSACHUSETTS
Peter I. Blute (R)
MICHIGAN
Joseph R. Knollenberg (R)
MINNESOTA
Jim Ramstad (R)
MISSISSIPPI
Gene Taylor (D)
MISSOURI
Mel Hancock (R)
NEW HAMPSHIRE
Bill Zeliff (R)
NEW JERSEY
Dick Zimmer (R)
NEW YORK
Peter T. King (R)
NORTH CAROLINA
Cass Ballenger (R)
Howard Coble (R)
OHIO
John A. Boehner (R)
Rob Portman (R)
OKLAHOMA
Ernest Istook Jr.(R)
PENNSYLVANIA
Jim Greenwood (R)
Rick Santorum (R)
SOUTH CAROLINA
Bob Inglis (R)
Arthur Ravenel Jr. (R)
Floyd Spence (R)
TENNESSEE
John J. Duncan Jr. (R)
TEXAS
Richard K. Armey (R)
Tom DeLay (R)


Rep. Ralph Hall

Jack Fields (R)
Ralph M. Hall (D)
Lamar Smith (R)
VIRGINIA
Thomas J. Bliley Jr. (R)
Robert W. Goodlatte (R)
WASHINGTON
Jennifer Dunn (R)
WYOMING
Craig Thomas (R)

Regulation

Pressure Needed Now On Paperwork

The U.S. Chamber of Commerce is urging the House and Senate to pass legislation reauthorizing and strengthening the Paperwork Reduction Act before Congress' scheduled adjournment for the year in early October.

The Senate Governmental Affairs Committee unanimously approved such a bill, sponsored by Sens. Sam Nunn, D-Ga., and Dale Bumpers, D-Ark., in early August. Similar House legislation sponsored by Reps. Norman Sisisky, D-Va., and William F. Clinger Jr., R-Pa., is pending in the Government Operations Committee.


Sens. Sam Nunn, D-Ga. (above), and Dale Bumpers, D-Ark.— with the U.S. Chamber's support—are pressing for approval of a bill to minimize federally required paperwork.

The two measures would reauthorize the Paperwork Reduction Act, which was enacted in 1980 and expired in 1989, for five years.

Among the provisions, the bills would mandate a 5 percent annual reduction in paperwork required by the government and strengthen the ability of the federal Office of Information and Regulatory Affairs (OIRA) to ensure that regulatory agencies comply with the paperwork statute.

OIRA, part of the Office of Management and Budget, is charged with reviewing agencies' regulations and paperwork requests to determine their projected costs and benefits.

The bills also would reverse a 1990 U.S. Supreme Court decision that said OIRA only had authority to control agency requests for the disclosure of information to the federal government, not to third parties.

Call your senators and representative immediately and urge them to pass the Nunn-Bumpers and Sisisky-Clinger bills to reduce government-required paperwork. Lawmakers may be reached through the Capitol Hill switchboard at (202) 224-3121.

Groundwork

House Passes Budget Reforms

The U.S. Chamber of Commerce and business won important victories in the fight for reform of the federal budget process when the House passed three spending-control measures during the summer.

The measures would:

- Allow the president to rescind individual spending items in appropriations bills and tax breaks in tax legislation. Congress would be required to vote—by simple majority—on whether to accept or reject the proposed rescissions. Money saved through any rescission could be (but would not have to be) used to reduce the deficit. The House approved the legislation 298-121.
- Require that the president and the Congress compare their budgets with the actual amounts spent during the preceding fiscal year rather than with inflation-adjusted amounts.

Currently, each year's budgeting starts with the previous year's actual spending adjusted for inflation.


Rep. Timothy J. Penny


Rep. John R. Kasich

Reductions from this "baseline" budget are often portrayed as spending cuts when, in fact, most of those "cuts" still leave the inflation-adjusted budget higher than the previous year's actual spending.

Representatives voted 247-171 to approve this reform.

- Prohibit nonemergency items—or "pork"—from being added to emergency spending bills, such as those for flood and earthquake relief. The House passed this bill 406-6.

The measures were proposed by Reps. Timothy J. Penny, D-Minn., Charles W. Stenholm, D-Texas, and John R. Kasich, R-Ohio, as parts of the "Common Cents Budget Reform Act of 1994," which was introduced in the House in May.

While it appears unlikely that the Senate will consider the measures before Congress' scheduled adjournment in early October, the groundwork for overhaul of the budget process next year has been laid, say proponents of reform.

In one defeat for business related to budget-process reform, the House rejected 218-205 a line-item veto measure, which the Chamber strongly supports. The line-item veto proposal is similar to the rescission measure but would require a two-thirds vote of Congress to overturn vetoed items.

GAIN UPDATE
GRASSROOTS ACTION INFORMATION NETWORK
U.S. Chamber of Commerce Federation

Business Agenda Survey Background

This month's GAIN Update summarizes emerging issues covered in the U.S. Chamber member survey included in the polybag with your October Business Advocate *and* Nation's Business. *Responses to that survey will play a critical role in helping to shape the Chamber's agenda for 1995 and 1996.* *(See the related story on Page 97.)*

ECONOMIC POLICY

Balanced-Budget Amendment—Congress will continue to grapple with federal spending in 1995. Legislation to establish a balanced-budget amendment to the U.S. Constitution, which narrowly failed in each house of Congress in 1994, will likely be revisited. Such an amendment, if ratified by the states, would restrain the government from spending more than it receives in revenues.

Statutory Reforms—The Chamber supports line-item veto authority to allow the president to strike individual spending items from appropriations bills; procedures that prevent spending cuts from funding outlays elsewhere in the budget; and an end to the abuse of "emergency" spending designations. Action is possible on such measures in 1995.

Tax Relief For Small Businesses—At issue is the impact of recent tax increases on small businesses. Sole proprietorships, partnerships, and Subchapter S corporations pay at the individual level, where top effective rates were increased in 1993 to more than 40 percent. The highest rates apply not only to income withdrawn by owners or shareholders but also to income retained or reinvested in the business.

Legislation introduced in the 103rd Congress would have corrected this inequity by subjecting reinvested or retained earnings to the pre-1993 rate of 31 percent. Similar proposals may be introduced in the 104th Congress.

Economic And Employment Impact Statements—The Economic and Employment Impact Act, which passed the Senate as an amendment to the National Competitiveness Act (S. 4), would require an analysis of the cost in dollars and jobs of any legislation considered by Congress and regulations proposed by the executive branch. The act is awaiting reconciliation of the House and Senate versions by a conference committee.

S-Corporation Reform—The Chamber has worked to develop and advance federal legislation to reform Subchapter S of the Internal Revenue Code, which has failed to keep pace with the realities of modern business. The Chamber-backed proposal would simplify tax compliance, strip away complex and outdated restrictions, and minimize the impact of technical "traps" that can revoke Subchapter S status.

FASB Stock Option Valuation—The Financial Accounting Standards Board has proposed a standard that would require companies to reflect immediately a charge against earnings when they issue employee stock options or purchase plan discounts. The Chamber is participating in a coalition opposing the FASB draft standard.

Environmental Remediation Costs—The Internal Revenue Service and the U.S. Treasury Department will continue to grapple with the tax treatment of environmental cleanup expenses next year. The agencies have established a study group to help resolve controversy over whether such costs can be deducted as expenses in the tax year they are incurred or must be capitalized over several years.

Alternative Minimum Tax—The Alternative Minimum Tax (AMT) remains a thorn in the side of the nation's capital-intensive industries. Created in 1986 in response to complaints that some corporations with large depreciation allowances had negligible tax liability in certain years, the AMT system burdens taxpayers in heavy industry with the worst cost-recovery system in the developed world.

Social Security Reform—A reform bill designed to preserve the long-term solvency of the Social Security system was introduced in the 103rd Congress. The bill would reduce benefit levels between 8 percent and 20 percent—based on income—over 50 years, accelerate the phased-in increase in the retirement age to 67, and increase by 1.15 percentage points the FICA payroll tax for both employers and employees, beginning in the year 2020.

Tax Reform—The Chamber expects that the House Ways and Means Committee will consider a value-added tax (VAT), in which assessments are imposed at various stages in the production process. In the Senate, lawmakers have begun to discuss a proposal to replace the current income-tax structure with a consumption-based tax.

Capital-Gains Reform—The Chamber has urged that tax on capital gains for individuals and corporations be substantially reduced. The top capital-gains tax rates of 28 percent for individuals and 35 percent for corporations inhibit capital formation and mobility and hinder the efforts of U.S. businesses to expand and modernize.

HEALTH CARE

Universal Coverage—President Clinton has asserted that health insurance is a right for all Americans. Others suggest that access to insurance should be guaranteed but that insurance should not be an entitlement program. Still others say insurance should be made more available and more affordable, but they resist any mandate.

Employer/Employee Mandate—Strong opposition to an employer mandate by the Chamber and other groups has prompted legislators to seek ways to make such a requirement more tolerable.

Health-Reform Financing—Expanding coverage to the uninsured and broadening the scope of covered services carry hefty price tags. A broad-based tax increase, a new payroll tax, caps on the employer tax deduction, the employee tax exclusion of health-insurance expenses or both, and "sin" taxes all have their advocates, but none of these options has wide popular support.

Pooled Purchasing For Small Business—The Chamber supports voluntary pooled-purchasing arrangements that would enable small businesses to band together to purchase insurance, achieving economies of scale and increased leverage in the market. Organizations that currently offer group health benefits to their members, such as local chambers and trade associations, should be able to continue to do so.

Medical Professional Liability (Malpractice) Reform—The Chamber believes that medical liability reform is a critical part of any health-care legislation. Efforts to contain costs and ensure quality can both be served by reform legislation that includes a cap on the recovery of noneconomic damages and a limit on attorneys' contingency fees in medical-malpractice court cases. The Chamber advocates the

How You Can Join GAIN

The Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, the U.S. Chamber staff of specialists on legislative and regulatory issues provides activist business people with the timely and thorough information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how you can become a member of this network, call (202) 463-5604.

accelerated development of medical-practice guidelines by the medical community, and it says adherence to such parameters should serve as an affirmative defense in malpractice lawsuits.

Benefits Taxation—The Chamber maintains that employer-provided health benefits are a legitimate cost of doing business and should be fully deductible. It opposes taxing employers for benefits provided or employees for benefits received.

Insurance Reform—The Chamber supports reform at the federal level. Legislation should provide, for example, that all health plans accept and renew all applicants regardless of health status (guaranteed issue), that pre-existing condition exclusions be restricted, and that premiums within groups not vary by individual health status.

Standard Minimum Benefits Package—Some lawmakers maintain that a standard minimum benefits package must be guaranteed to all Americans. Others do not go so far but suggest that a standard package must be defined at the national level for meaningful cost estimates to be prepared. The Chamber believes such a package should be defined and that each insurer/health plan should be required to offer that minimum package as an option so that consumers could shop and compare among all vendors. Employers, employees, and insurers could continue to tailor benefits packages to meet a particular group's needs.

Consumer Information—The Chamber would require all health plans to post annual rates for insured members of the plans and to publish data on quality and service in a common format so that employers and consumers could make informed choices.

National Uniformity—Members of Congress in both political parties have a predisposition to allow states to tailor federal programs to their needs and to serve as laboratories to test experimental approaches. Some state governors call for quicker consideration of waivers with respect to the Employee Retirement Income Security Act (ERISA), the major pension law. Other governors recognize health care as interstate commerce.

Large employers want to preserve the ERISA pre-emption powers that allow them to structure a single benefit plan for employees in multiple states. The Chamber believes that health-care system standards need to be established at the national level and that ERISA pre-emption protection must be preserved.

Workers' Compensation And Health-Care Reform—House and Senate proposals during the 103rd Congress have sought to establish federal standards to relate the medical component of workers' compensation to the general health-care system and to create a national commission to study how the two systems could better be linked.

The Chamber believes these proposals would ultimately lead to a federalized workers' compensation system. While the Chamber believes the practice of cost shifting between the two systems must be addressed, it remains steadfastly opposed to a federalized workers' compensation system.

TELECOMMUNICATIONS AND TRANSPORTATION INFRASTRUCTURE

National Information Infrastructure (NII)—The Chamber's Telecommunications Infrastructure Task Force was formed by the Chamber's board of directors to provide a forum for both business users and telecommunications providers to develop and recommend sound positions and proposals for implementing the NII, more commonly known as the information superhighway. The task force expects to continue its activity during the next Congress.

Transportation Financing—The Chamber believes that money authorized by the 1990 Intermodal Surface Transportation Efficiency Act should receive full funding through the yearly appropriations process.

National Highway System—The Chamber believes that the immediate enactment of the National Highway System Designation Act of 1995 would be a first step toward a transportation system that is national and intermodal in scope.

Regulations—The Chamber believes there must be a better understanding of the impact on transportation of implementing various laws and regulations.

Federal Transportation Fuels Excise Tax—The Chamber believes that to meet current unmet transportation capital needs, the 4.3-cents-per-gallon federal fuels excise tax imposed in 1993 for deficit reduction should be directed to the appropriate transportation trust fund/capital account or be repealed.

Keep Trust Funds Separate—The various transportation trust funds—Highway, Airport and Airways, and Inland Waterways—were created to provide a predictable stream of revenue to meet their respective transportation infrastructure needs. Recently, it has been suggested that these funds be combined into a general transportation pot—a proposal the Chamber believes would be disruptive.

WORK FORCE, LABOR, AND BENEFITS

OSHA Reform—In 1995, organized labor is expected to push legislation to reform the 1970 Occupational Safety and Health Act. OSHA reform proposals debated in 1994 would have imposed more than $60 billion in additional costs on employers in both the private and public sectors. The Chamber believes the existing OSHA statute should be adequately administered, funded, and enforced before dozens of new and more onerous requirements and penalties are considered.

Striker Replacement—Congress has considered for the past several years legislation to prohibit employers from hiring long-term replacements for workers engaged in economic strikes. So far the Chamber has been successful in its efforts to prevent passage. Such a bill could be reintroduced in 1995.

Immigration—The influx of immigrants into the U.S. is expected to continue, leading to renewed emphasis on requiring employers to screen applicants more thoroughly to determine their eligibility to work in this country. Legislation to reduce or eliminate employer burdens in the employment process may be necessary. Business involvement in the various aspects of the immigration issue is critical.

National Labor Relations Board—It is anticipated that the NLRB and its new general counsel will quickly move to change the agency's procedures and rulings to make it far easier for unions to organize workplaces and prevail in unfair-labor-practice disputes. It is anticipated that the NLRB's decisions will implement, directly or indirectly, many of the pro-union labor-law reforms that have been advocated recently. To keep the business community advised of important changes in labor relations brought about by the NLRB, the Chamber will publish *Board Watch*, a series of updates on NLRB developments and trends.

Dunlop Commission/Labor-Law Reform—The administration's Commission on the Future of Worker-Management Relations, also known as the Dunlop Commission, was formed to determine what, if any, legislation is needed to improve cooperation between employees, unions, and employers. The commission is expected to issue recommendations for improving worker-management relations in December 1994. There is little doubt that many of the recommendations will be incorporated in legislation expected to be introduced in 1995.

Crime/Drugs—Pervasive violent crime and the widespread use of illegal drugs, which together cost America more than $700 billion annually, are so intertwined that they must be dealt with as one issue.

Minimum Wage—In 1995, the administration and organized labor are expected to push for legislation to increase the federal minimum wage. The Chamber believes a wage rise would cost business billions of dollars annually and result in the loss of hundreds of thousands of jobs.

Electronic Monitoring—Legislation to restrict employers from using most electronic devices to observe the conduct and performance of workers would make it impossible to manage a modern workplace effectively.

Pay Docking—The Fair Labor Standards Act (FLSA) requires payment of the federal minimum wage to most employees and mandates payment of time-and-a-half for all hours worked above 40 in one week. The FLSA provides exemptions for many salaried employees, including those classified as professionals, managers, and supervisors.

New interpretation and enforcement of these regulations by the Department of Labor may mean that many "salaried" employees are now classified as "hourly" and thus are no longer exempt from the overtime pay requirement. Legislation to correct this situation is certain to arise in 1995.

Pension Simplification—The Chamber supports simplification of the rules governing retirement plans as a means of encouraging broader pension coverage.

Unemployment Insurance And The Federal Training And Employment System—Several proposals have been introduced to restructure and consolidate existing federal training and employment programs and link them to the unemployment insurance system. One would authorize alternative uses of unemployment insurance

money for training purposes. The Chamber believes that consolidating and streamlining federal training and employment programs are worthy goals. But beyond using program-consolidation savings to pay for this initiative, the Chamber has concerns with other means of financing.

Mandated Family And Medical Leave—The Family and Medical Leave Act (FMLA) entitles qualified employees to up to 12 weeks of unpaid leave per year for the birth or adoption of a child, for a serious health condition of a spouse or an immediate family member, or for their own serious health condition.

There is a small but potentially growing faction in Congress that would extend the leave period for up to six months, require that the leave be either partially or fully paid by the employer, and bring more of the business community within the law's coverage. The Chamber believes this step would be unacceptable.

EDUCATION AND TRAINING

The Goals 2000: Educate America Act—Enacted March 31, Goals 2000 codifies in law the National Education Goals, facilitates the development of voluntary academic and occupational skills standards, and provides funding to assist states in developing comprehensive education reform plans. Goals 2000 aims to raise the caliber of America's entry-level work force and help equip students with the knowledge and skills needed today.

The School-To-Work Opportunities Act—Enacted May 4, the School-To-Work Opportunities Act authorizes up to $300 million to assist states and localities in developing and implementing school-to-work transition programs. To qualify for the money, states and communities must demonstrate that their programs provide meaningful work experience for participating students before graduation and that their academic curricula complement what is learned at the worksite. The Center for Workforce Preparation will work with communities nationwide to establish local programs that meet the new act's criteria.

Work Force Training—Several bills have been advanced in both the House and Senate that attempt to strengthen employment services for dislocated workers and restructure and consolidate existing federal training and employment programs. The Chamber has not taken a position on any particular proposal.

Welfare Reform—President Clinton's welfare reform package aims to move welfare recipients off the welfare rolls and into public- or private-sector employment following two years of enhanced education, training, and job-search services.

Under the proposal, welfare recipients would be required to develop a personal employability plan designed to move them into the work force as quickly as possible. Education, training, and job-placement services would be expanded under the JOBS program—created by the Family Support Act of 1988—and any welfare recipient offered a job would be required to take it. Welfare recipients still unemployed after two years would be placed in subsidized private-sector jobs, public-sector positions, or with community organizations.

Reauthorization Of The Elementary And Secondary Education Act (ESEA)—The pending reauthorization of ESEA, the federal government's largest program providing assistance to elementary and secondary schools, presents an opportunity to consider redirecting funds to schools with high concentrations of disadvantaged youths and to further define the congressional role in the education reform debate.

President Clinton has proposed revamping funding for disadvantaged students, increasing resources for professional development, and promoting links between parents, schools, and communities to help all students meet academic and occupational skills standards. The Chamber will work to ensure that business interests are effectively represented in the final legislation.

REGULATORY AND LEGAL IMPEDIMENTS TO BUSINESS GROWTH

Paperwork Reduction—The Paperwork Reduction Act of 1980 was designed to ensure that paperwork burdens associated with federal agencies' proposed regulations are minimized and that information collection requests are necessary. Despite the law, the paperwork burden on business continues to grow at an alarming pace. Congress should enact legislation to strengthen the 1980 act.

Unfunded Mandates—The issue of unfunded mandates—federal laws and regulations imposed on state and local governments, businesses, and citizens without accompanying resources—is reaching a head. More than two dozen bills were introduced in 1993-1994 in both the House and Senate to address the issue. Most of this legislation addresses only the effect of unfunded mandates on state and local governments. If legislation is passed without including the private sector, state and local governments may enjoy some relief, but the burden on the private sector will increase. If the private sector is covered, the public will have some advance warning of what proposed new laws and regulations are likely to cost.

Regulatory Flexibility—The Regulatory Flexibility Act of 1980 was designed to provide small businesses respite from the ever-growing hindrance of excessive regulation. When developing regulations, federal agencies must assess the cost of compliance to small companies and other small entities; genuinely consider alternative, cheaper ways to achieve the same goal; and either adopt the most cost-effective substitute or justify their reasons for rejecting it.

Unfortunately, agencies do not have uniform guidelines to follow for complying with the Regulatory Flexibility Act. Agencies also do not have to answer to any compelling authority for noncompliance. These deficiencies have led to bureaucratic abuses of the statute. Legislation to strengthen the act should be passed.

Product Liability—There is a clear need for a federal product-liability law that addresses issues such as punitive damages, noneconomic damages—"pain and suffering"—product-seller liability, statutes of limitations, and alternative dispute resolution.

Antitrust Reform—Federal antitrust law requires that companies file premerger notification information with the Federal Trade Commission. There are about 1,400 filings a year, and only a relatively small number, probably fewer than 200, represent transactions with even a possible antitrust concern. The burden of filing the lengthy reports is exacerbated by a $25,000 filing fee—an amount that might increase under proposals being considered. The intent of changes advocated by business is to reduce the number of transactions for which filing is required and to propose the use of a "short" filing form for many transactions.

Lobbying Registration Reform—Congress is considering legislation that would drastically reform procedures that require federal lobbyists to register and disclose the clients and interests they represent. The new registration and reporting provisions would place a considerable recordkeeping burden on the companies and associations that engage in federal lobbying. Altering the registration requirements, by legislation or regulatory changes, so that a number of the statutory provisions are narrowed in scope would reduce the compliance burdens that face all companies, trade associations, and chambers of commerce that lobby the federal government.

Civil-Justice Reform Issues—Changes in court administration, improvements in the judicial branch, and modifications in litigation procedures are all methods to accomplish civil-justice reform. Legal costs must be brought under control, unwarranted litigation curbed, and inefficiencies in the system eliminated.

Procurement/Acquisition Reform—Passage and implementation of legislation designed to reform and streamline the federal government's contracting process further is a priority for the Chamber's Council on Procurement Policy. The Chamber supports legislation that removes procurment barriers and promotes acquisition of more off-the-shelf, commercial items and services.

ENVIRONMENT AND RESOURCES

Fuel, Mineral, And Forest Resources Management—The century-old battle between preservation and use is expected to continue next year with attempts to impose further restrictions on offshore drilling, such as in the Gulf of Mexico; to revise the 1872 Mining Law to restrict hard-rock mining of minerals; and to place further limits on the use of federal lands. The latter includes reduced harvesting of forests, with special emphasis on creating new wilderness or refuge areas, and the reauthorization of the Endangered Species Act.

A key part of all of these issues has to do with private-property rights, or the unintentional "taking" of property through changes in environmental statutes or regulations that restrict private landowners from using their land. Momentum is building for federal legislation to compensate landowners when such "takings" occur.

Water Resources Management—The Clean Water and Safe Drinking Water acts will likely have to be reauthorized when Congress convenes in 1995. The debate is expected to continue on how to clean the nation's water and on how many more controls need to be applied. Regulation of wetlands, including permitted uses, is part of the Clean Water Act.

Air Resources Management—The Clean Air Act Amendments of 1990 are still

being implemented through the regulatory process. Some of the regulations—both those that have been proposed and initiated—are quite severe. There will be calls for legislative changes, but it is unlikely Congress will want to open the Clean Air Act again so soon.

Government initiatives to combat the threat of global climate change will continue in 1995, and the voluntary measures proposed so far will be questioned by those who would prefer mandatory controls.

Land Resources Management—The 1994 debates over reauthorization of the Superfund law will continue. This legislation is so complicated and the interests of affected parties so diverse that reconciling such issues as liability, remedy selection, and funding will still be difficult.

The current expectation is that the Resource Conservation and Recovery Act (RCRA) will be reauthorized after Congress completes work on the Superfund law. Under RCRA, Congress is likely to consider municipal waste recycling and an industrial nonhazardous waste regulatory program. It may also revisit the issue of hazardous-waste controls. These are all contentious and complicated issues.

Food And Fiber Resources Management—The farm bill is due for reauthorization in 1995, and food safety may still be on the legislative agenda. Farm bill issues include production limits, price supports, and possibly conservation reserves and water-use limits. Pesticide legislation may also come before Congress again in 1995.

Improving The Regulatory Environment—In 1994, Congress began paying attention to ensuring that good science and risk assessments were used in developing environmental legislation. Additional efforts are needed in setting environmental regulatory policy to differentiate goals from strategies and avoid paperwork and technological requirements that do little to protect human health and the environment but add to the administrative cost.

INTERNATIONAL POLICY

GATT Implementation—After the GATT Uruguay Round Agreement legislation is signed comes the hard part: making sure U.S. firms obtain the benefits to which they are entitled under the pact. Those benefits include reduced tariff and nontariff barriers, strengthened intellectual-property protection, adequate enforcement of U.S. anti-dumping and other trade-remedy laws, and fair and expeditious settlement of trade disputes.

Business will need to engage the U.S. trade representative, the newly created World Trade Organization, and other enforcement agencies to ensure the advancement of U.S. business's rights under the GATT agreement.

Unfinished GATT Business—Not all problems facing U.S. business in international trade were adequately addressed in the Uruguay Round. Some of the unfinished business, such as subsidies and competition policy, have major implications for U.S. and foreign businesses. New negotiations in these areas will be important to preserve the integrity of the world trade system and U.S. interests.

Matching Foreign Subsidies—The U.S. can expect other countries to continue significant levels of export and research-and-development subsidies, which will injure U.S. firms unless these tactics are matched or terminated. U.S. financial resources to match the subsidies are limited, but in some cases may be the only option for U.S. response. The U.S. business community should simultaneously seek international agreements to rein in such subsidies and U.S. policies to match them where necessary until such an agreement is implemented.

Chile Free Trade Agreement/NAFTA Accession—NAFTA is just the beginning of a long-term effort to integrate the economies of the Western Hemisphere. Chile may be next in line for a free-trade arrangement with the United States, and legislation to authorize such negotiations has already been introduced in Congress.

Some policymakers seek to require negotiation of labor, environmental, and other nontrade issues as part of any such accession, to the detriment of U.S. businesses. The Chamber will need to ensure that the terms of such agreements are limited and do not impose significant new nontrade-related mandates on U.S. business.

Labor And Environmental Issues Linked To Trade—With the backing of labor and environmental interests, some lawmakers are seeking to include various nontrade issues on the U.S. trade-policy agenda. Sometimes these issues are promoted expressly to the disadvantage of U.S. business. Business should work hard to defeat these proposals.

Conditional National Treatment Issues—The U.S. is committed under GATT and other trade agreements to nondiscrimination between U.S. and non-U.S. firms in its treatment of incoming investment. But Congress is considering proposals that would require that firms be U.S.-owned or U.S.-controlled to receive the full benefit of U.S. programs and legal protection. Business must continue to press for nondiscrimination in international trade and investment relations, particularly when this is a standard to which we assign such importance abroad.

Intellectual-Property Rights—U.S. law requires the U.S. trade representative to identify annually the priority countries that have violated U.S. intellectual-property rights. Despite some progress in recent years, foreign intellectual-property rights violations continue to cost U.S. firms billions of dollars annually.

There are no two sides to this argument: Intellectual-property violations constitute theft, pure and simple. Respect for U.S. law and international agreements requires continuing emphasis on eliminating such stealing.

Access To Foreign Government Procurement—U.S. law requires annual identification of discriminatory procurement practices by foreign governments that harm U.S. firms. The definition of such practices, however, is discretionary. Given the size of public procurement markets and the stake U.S. firms have in succeeding in those markets, enforcement of the law must be a priority for U.S. business.

China Most-Favored-Nation Status—Next June, the administration will once again have to decide what to do about the U.S. trade relationship with the world's most populous—and one of its fastest-growing—economies. Strong China-U.S. trade relations is a Chamber priority.

Japan-U.S. Framework Negotiations—Japan-U.S. trade relations continue to be bogged down in endless talks, occasionally interrupted by various vague commitments and political upheaval in Japan. Yet the Japanese market remains far less open than any other major industrial country. Fair and equitable access to the Japanese market remains a priority for U.S. business and should be pursued both within GATT and on a bilateral basis.

China And South Korea Market Access—Both of these countries have committed to a variety of market-opening measures via memoranda of understanding and other means. But they haven't completed the job. Continued emphasis on these problems by business and U.S. negotiators is needed to ensure these nations follow through on their promises.

Vietnam Tax And Investment Treaties—Lifting the embargo against Vietnam, while important to a variety of U.S. firms, was only a first step. Taking full advantage of the Vietnamese market will require additional actions, such as the negotiation of tax and investment treaties that protect U.S. firms from double taxation and that ensure nondiscrimination against their assets in that country.

For U.S. firms to make up the ground they have lost to their Asian and European competitors in Vietnam, rapid action on these steps must be a U.S. priority.

European Union Expansion And External Trade Policy—As the European Union expands eastward and northward, it will be entering into arrangements with those countries that have the potential for discrimination against U.S. and other non-European firms in such areas as market access and product standards. At stake: a potential $7.5 trillion market of more than 400 million consumers. U.S. business must make access to that market a priority.

Trade/Investment Treaties With Central Europe And The Former U.S.S.R.—Former Soviet-bloc countries are continuing to press ahead toward market-oriented systems, but they are not there yet. These markets present important long-term opportunities for Western and Asian companies alike. But tax, trade, and investment treaties that protect U.S. firms from double taxation and that ensure nondiscrimination against their assets are needed in these countries.

Foreign Assistance Act Revision—Congress is currently considering the most significant rewriting of this law since 1961, but there's a good chance that action could spill over to next year. Given the economic and commercial benefits our competitors obtain from linking foreign assistance and trade policies, U.S. business should assign priority to increased emphasis on U.S. commercial considerations in U.S. foreign assistance policies and programs.

Export Administration Act (EAA) Revision—Congress is working to revise this law, but it may not complete action this year. Meanwhile, the U.S. remains alone among major industrial nations in continuing to treat exporting as a privilege, not a right, and it imposes burdensome export restrictions on many sectors of U.S. business. Elimination of anachronistic export controls should be a priority of the U.S. business community. GU

Business Ballot

Interest-Rate Hikes Hurting, Firms Say

Rising interest rates are having an adverse impact on businesses, according to the latest Business Ballot poll.

Nearly 70 percent of the respondents to the August poll said interest-rate hikes during the past year have had a negative effect on their businesses. Seventeen percent said the increases have had a "significantly" negative effect, 52.8 percent said the hikes have affected them "somewhat" negatively, and 30.2 percent said the increases have had no effect.

More than 87 percent said another increase would adversely affect their firms, with 38.1 percent saying additional rate rises would have a "significant" negative effect and 49.2 percent saying hikes would affect them "somewhat negatively"; 12.7 percent said they would feel no effect.

At the time Chamber members received the poll in late July, the Federal Reserve had raised the federal funds rate—the rate banks charge each other for overnight loans—four times since the beginning of the year. On Aug. 16, after most poll respondents had returned their Business Ballots, the Fed raised the rate a fifth time. The rate, which affects other interest rates, has climbed from 3 percent to 4.75 percent this year.

Federal Reserve Chairman Alan Greenspan has said the interest rate increases have been necessary to keep control of inflation.

The U.S. Chamber has been critical of the increases. Of the Aug. 16 rise, Martin A. Regalia, a Chamber vice president and the organization's chief economist, said: "We are concerned that the Fed's pre-emptive strike on inflation may instead pre-empt economic growth. Companies financing plant expansion with longer-term debt may see some rate relief, but many smaller companies financing in shorter-term markets will pay more for funds. In addition, this move, which is clearly designed to slow growth, will curb demand and slow sales," Regalia said.

Federal Reserve Board Chairman Alan Greenspan sees higher interest rates as a way to keep inflation in check. There have been five rate hikes this year.

Interest-Rate Forecast By U.S. Chamber

Quarter/Year	30-Year Treasury Bond	3-Month Treasury Bill
1/94*	6.6	3.2
2/94*	7.4	4.1
3/94	7.5	4.5
4/94	7.4	4.6
1/95	7.3	4.7
2/95	7.3	4.8
3/95	7.2	5.0
4/95	7.2	5.0

*Actual Rates.

The Business Ballot polls all U.S. Chamber members bimonthly on business-related issues and their economic outlook. (See the related story on the poll's economic results, on Page 108.)

In a question unrelated to interest rates, 92.5 percent of the respondents to the August poll said that the current U.S. tax system should be replaced with one that provides greater incentives for savings and investments. Only 2.2 percent disagreed with that concept, and 5.3 percent were undecided.

Several proposals have been introduced in this Congress to overhaul the tax system, including one by Rep. Richard K. Armey, R-Texas, that called for replacing the current tax structure with a flat tax on income, a higher deduction for dependents, and few or no other deductions. The tax system is expected to be an issue again in 1995.

Management Advice

Learn To Anticipate Problems

Author and consultant Michael E. Gerber will attack what he calls the "E-Myth" in an Oct. 4 satellite seminar presented by the U.S. Chamber of Commerce's Quality Learning Services division.

Just owning a small firm doesn't make you an entrepreneur, Gerber says—for many a small-business owner, the business is just a job.

In his seminar, Gerber will explain how to become a true entrepreneur, by approaching business systematically and anticipating problems that might otherwise cripple a growing firm.

Gerber's seminar is the fourth of 11 in the fall QLS series, whose theme is "Creating a High-Performance Work Culture." He will be followed by:

- G. Howland Blackiston (Oct. 11) and A. Blanton Godfrey (Oct. 18), both of the Juran Institute.
- David P. Hanna of the Covey Leadership Center (Oct. 25).
- Peter R. Scholtes, author of *Team Handbook* (Nov. 1).
- Brian J. Joiner of the Joiner Associates consulting firm (Nov. 8).
- Keith A. Gulledge of the Covey Leadership Center (Nov. 29).
- Joel Barker of the Infinity Limited consulting firm (Dec. 6).

All of the seminars are being led by experts on management, whose subjects range from the nuts and bolts of quality-management techniques to how businesses can tap employees' intrinsic desire to serve customers.

All seminars air from 1 to 3 p.m. Eastern time. For information on the series, including prices for downlinks and taping rights, call 1-800-835-4730 or (202) 463-5940.

Also available from QLS is a free catalog of dozens of management-training videotapes, including coverage of earlier seminars on various management topics. For a copy of the catalog, call either of the numbers listed above.

■ Economic Outlook

Chamber Members' Confidence Declines

After a healthy jump up from April to June, U.S. Chamber of Commerce members' confidence in the six-month economic outlook dropped in August, according to the latest Business Confidence Index.

For August, the index was 49.9, the same level as in April but a drop of 6.5 points from June. (See the chart.)

The index is a composite of the results of three economic-outlook questions on the Business Ballot, a bimonthly poll of Chamber members.

An index of 50 means the number of companies expecting increases in their sales, employment, and in the economy over the next six months is equal to the number expecting decreases.

Martin A. Regalia, U.S. Chamber vice president and chief economist, blamed the drop in the index on the Federal Reserve Board's continuing increases in interest rates. When members received their August Business Ballot, the Fed had hiked the federal funds rate—the overnight rate banks charge each other for loans—four times in 1994. It hiked the rate a fifth time on Aug. 16, after most of the Business Ballot responses had been received.

"The Fed's moves to date were clearly designed to slow economic activity, and every indication we have seen, both in statistics and anecdotal information, suggests that its policy has had an immediate impact," he said. "The Fed would do well to hold off any further moves until the full impact of these rate increases is understood."

The percentage of poll respondents expecting the economy to improve over the next six months fell to 20.9 in August from 29.6 percent in June. And 38.9 percent in August said they believe the economy will decline, up from 27.5 percent in June. Just over 40 percent in the latest poll said they expect no change in the economy.

Respondents grew more pessimistic about their own firms' prospects over the next six months, with 37.7 percent in August expecting their sales to go up, compared with 44.8 percent in June. While just 16.6 percent in June thought sales would go down, 22.2 percent in August believed they would fall. Slightly more than 40 percent thought there would be no change in their sales.

Plans for hiring also decreased in August, with 19.5 percent of respondents saying they expected to add workers over the next six months, compared with 21.3 percent in June. The percentage expecting to cut workers rose to 17.5 percent in August from 13.2 percent in June. No change in employment was expected by 63 percent of the August respondents.

■ Seminar Set

How To Deal With The Media In Legal Crises

A one-day seminar on dealing effectively with the media when your firm or organization is faced with a legal crisis is set for Dec. 8 at the U.S. Chamber of Commerce in Washington.

The seminar will be presented by the Chamber's nonprofit legal affiliate, the National Chamber Litigation Center. The program is designed for association and business executives and in-house and private-practice attorneys.

Featured will be Judge Thomas P. Jackson, of the U.S. District Court for the District of Columbia; trial lawyer Brendan Sullivan, who represented Oliver L. North in the Iran-contra affair; Carl Stern, a former U.S. Supreme Court reporter and current press secretary for Attorney General Janet Reno; and Pete Williams, Defense Department press secretary during the Gulf War and current NBC News legal correspondent.

The seminar is titled "Substance and Spin: How to Deal with the Media During Legal Crises." The cost is $395, but discounts are available for early registration or for two or more attendees from the same organization.

For more information, contact NCLC's Cam Esser or Ken Alexander at (202) 463-5337.

■ Leadership

Board Elects Nominating Panel

The committee that will nominate the 1995-1996 officers for the U.S. Chamber of Commerce has been elected by the Chamber's board of directors.

Committee members are Ronald W. Allen, chairman, president, and CEO, Delta Air Lines, Inc., Atlanta; James K. Baker, chairman, Arvin Industries, Inc., Columbus, Ind.; Bruce D. Cowen, president, TRC Companies, Inc., Windsor, Conn; J. William Grimes, New York; Thomas S. Klobucher, president and CEO, Thomas Interior Systems, Inc., Elmhurst, Ill.; H. William Lurton, retired chairman and CEO, Jostens, Inc., Minnetonka, Minn.; and Donald E. Moffitt, president and CEO, Consolidated Freightways, Inc., Palo Alto, Calif.

Also elected to the panel were Will F. Nicholson Jr., chairman, president, and CEO, Colorado National Bankshares, Inc., Denver; James E. Perrella, chairman, president, and CEO, Ingersoll-Rand Company, Woodcliff Lake, N.J.; and C.J. Silas, retired chairman and chief executive officer, Phillips Petroleum Company, Bartlesville, Okla.

The committee will nominate directors to fill terms that begin in 1995, plus interim vacancies.

Chamber members may submit their recommendations for candidates for directorships. Contact Mary Stranova at (202) 463-5335 to request a recommendation form.

The deadline for submitting recommendations is Oct. 12.

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■ Regulation

Push To Limit Mandates Continues

Rep. Rob Portman, R-Ohio, right, is pushing an amendment to a House bill that would help protect business from unfunded mandates. Sen. Byron L. Dorgan, D-N.D., sponsored a similar measure in the Senate.

Unfunded mandates imposed by lawmakers on the public and private sectors were a top target of the U.S. Chamber of Commerce when Congress returned to work in mid-September.

In the Senate, the Chamber was fighting to keep included in a bill an amendment to provide relief for the private sector. The bill had originally covered only those mandates that affect state and local governments.

The legislation was introduced by Sens. John Glenn, D-Ohio, and Dirk Kempthorne, R-Idaho; the private-sector amendment was sponsored by Sen. Byron L. Dorgan, D-N.D. The amendment was approved, 9-4, in mid-June by the Senate Governmental Affairs Committee.

Participants in the Chamber's Grassroots Action Information Network made timely contacts with lawmakers to help influence the panel's vote.

Rep. Rob Portman, R-Ohio, has tried to advance a proposal similar to Dorgan's as an amendment to an unfunded-mandate bill in the House. The House bill is sponsored by Rep. John Conyers, D-Mich., and covers state and local governments only. The legislation is pending in the House Government Operations Committee.

The committee was expected to consider the legislation in middle to late September.

The Conyers and Glenn-Kempthorne bills would require the Congressional Budget Office to conduct a cost-impact analysis of any legislation that would impose a cost of $50 million or more on state and local governments.

If no analysis were completed on a bill, any member of Congress could raise an objection and prevent consideration of the legislation until a study was conducted or Congress voted to authorize funds for the cost of implementing the mandate.

Dorgan's amendment extends that requirement to unfunded mandates costing the private sector $200 million or more.

However, some Senate lawmakers and the Clinton administration are trying to modify the Dorgan proposal before the unfunded-mandate bill reaches the Senate floor for a vote. They want to replace the Dorgan amendment with a proposal by CBO Director Robert Reischauer.

Reischauer's alternative would require the CBO to analyze only a few of the many bills in any congressional session that would impose unfunded mandates on the public and private sectors.

The Chamber has rejected the Reischauer approach. In a letter to Glenn, chairman of the Governmental Affairs Committee, the Chamber stated: "From the perspective of the business community, it is not only singular mandates that cause the burden, but also the cumulative impact of all unfunded mandates.

"For too long, Congress and federal regulators have arbitrarily imposed unfunded mandates on the private sector despite the fact that the impact has never been considered."

Further, the Chamber continued, unfunded mandates' "cumulative burden has severely reduced job and income growth.

"Requiring the CBO to make the determinations envisioned in [the legislation] may have the effect of forcing members of Congress, in recognition of the complexity of conducting cost-impact analyses on their proposals, to advance only those unfunded mandates which are essential."

■ New Guide

Resources For Entrepreneurs

The U.S. Chamber of Commerce and computer giant IBM have published a resources guide for small companies.

The book, *The Small Business Resource Guide: Government and Private Sector Assistance for Small and Growing Companies*, includes a list of resources available from the federal government, states, and private-sector business associations. It also contains information on technology and on-line information resources from the public and private sectors.

U.S. Chamber members are entitled to one free copy of the guide. One additional copy is $7.50, two to 23 copies are $6 each, 24 to 99 copies are $4.50 each, and 100 or more copies are $2.50 each.

To order the resources guide (Publication No. 0401), write to: Publications Fulfillment, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062. If you're requesting more than one copy, make checks payable to the U.S. Chamber of Commerce.

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■ Trade

Seminar On Doing Business In China

A special summit designed to help companies do business in China is scheduled for Nov. 3 and 4 at the U.S. Chamber of Commerce in Washington.

The focus will be on infrastructure development in the world's fastest-growing market. The agenda includes in-depth workshops on three areas of opportunity for U.S. firms: power generation, including construction, equipment supply, operations and maintenance, technology transfer, and engineering; telecommunications; and ground transport.

In addition, experts from China and U.S. executives doing business there will discuss a variety of issues related to China's commercial environment.

Subjects to be covered over the two days include the evolving legal and regulatory scene, taxation, protection of intellectual property, the status of financial reforms, structuring and negotiating a deal, recruiting labor in China, and major issues related to financing infrastructure projects in China.

The program is co-sponsored by the U.S.-China Business Council, the U.S. Department of Commerce, and the China Council for the Promotion of International Trade.

To register for the China Infrastructure Development Conference, call the Chamber's International Division at (202) 463-5460; or register by mail by sending your name, organization, address, and phone and fax numbers to the U.S. Chamber's International Division, P.O. Box 1200, Washington, D.C. 20013-1200.

The cost for Chamber members is $795; for nonmembers, $895.

■ New Guide

Association Publications

A number of publications written specifically for associations are available from the U.S. Chamber of Commerce.

The Chamber's resources for associations are listed in *A Guide to Services and Publications for Associations*, just published by the organization's Office of Association Relations. For a free copy, call (202) 463-5560.

Among the publications listed are:

■ *Association Legal Checklist*, which provides the latest information on laws that govern associations.

■ *Association Lobbying and Regulations*, which looks at the federal laws and regulations on lobbying by nonprofit organizations.

■ *Association Non-Dues Income: Balancing Purposes and Revenues*, which can help associations determine the appropriate role for their income-producing nondues activities.

A form for ordering publications is included in the guide, as well as an application to join the more than 1,200 current association members of the U.S. Chamber.

Among the services listed in the guide is the Chamber's Grassroots Action Information Network, a network of business and association legislative activists.

■ Task Force

Burns Pushes For Progress On Telecommunications

Sen. Conrad Burns, R-Mont., speaking to the U.S. Chamber of Commerce's task force on telecommunications, said that telecommunications is "probably the most important part of our infrastructure" and is vital to the country's ability to compete in a global economy. He added that public policy should help cut through the red tape to get telecommunications technology into the hands of the public.

The telecommunications task force was established by the Chamber's board of directors to provide a forum for business users of telecommunications and telecommunications providers to develop and recommend sound positions and recommendations related to the proposed national information superhighway.

■ Legislation

Highway Bill Action Urged

The Senate is expected to approve a bill to create a national highway system before Congress adjourns for the year. But there may not be time for enactment of legislation this congressional session without a strong push by business for quick conference action.

The House passed its version of the legislation 412-12 in late May.

Both the House and Senate bills would designate key routes, connector roads, defense highways, and roads that link with other modes of transportation as vital to the country's economy and defense.

The National Highway System concept is strongly supported by the U.S. Chamber of Commerce, which is urging quick action by lawmakers ultimately named to a House-Senate conference committee on the legislation.

The House and Senate bills were sponsored by Rep. Norman Y. Mineta, D-Calif., and Sen. Max Baucus, D-Mont., chairmen of the House Public Works and Transportation Committee and the Senate Environment and Public Works Committee, respectively.

By law, Congress has until Sept. 30, 1995, to approve a nationwide highway plan.

Under both versions of the legislation, $6.5 billion a year would be allocated to the states for improvements to the designated roadways and for additional highway construction.

The proposed National Highway System—98 percent of which already exists—would consist of nearly 159,000 miles of highway, including the more than 45,000 miles of the existing interstate system, 17,000 miles of other highways designated by the U.S. Defense Department as critical for national defense, and more than 4,500 miles of roads designated by Congress as high-priority corridors.

Although it would make up less than 4 percent of the nation's public highways, the NHS is expected to carry 40 percent of all highway traffic and 75 percent of commercial vehicle traffic.

It would provide links to the 104 most important ports, 143 major airports, 321 major train stations, 191 rail/truck terminals, and 242 military and defense installations.

Passage of the NHS, the Chamber says, would:

■ Create jobs by expanding markets for U.S. products, reduce transportation costs, boost industrial productivity, and make American goods more competitive at home and abroad.

■ Improve highway safety by upgrading roads and bridges.

■ Connect rural America with the rest of the nation; industrial sites with marketplaces, ports, airports, and other intermodal facilities; and military installations with one another.

■ Advance U.S. transportation technology and expertise.

■ Improve air quality by reducing congestion in major urban areas.

Call your senators and representative immediately. Urge them to ask the conference committee on the National Highway System Designation Act to act quickly once that panel is appointed. Lawmakers can be reached through the Capitol Hill switchboard at (202) 224-3121.

Sen. Max Baucus, D-Mont., top, and Rep. Norman Y. Mineta, D-Calif., are the sponsors of legislation to create a national highway system.

■ Litigation

Environmental Rule Challenge Due In 1995

Arguments are expected to be heard sometime next year on the lawsuit filed by the U.S. Chamber of Commerce against the U.S. Department of the Interior over an environmental regulation.

The National Chamber Litigation Center, the Chamber's nonprofit legal affiliate, is suing the Interior Department in the U.S. Court of Appeals for the District of Columbia Circuit over a rule the department issued on the Superfund law—the Comprehensive Environmental Response Compensation and Liability Act. The regulation requires firms involved in Superfund sites to pay for natural-resource injuries and losses that are not remedied by environmental cleanup actions.

Superfund, which deals with releases of hazardous materials to land, water, or air and the cleanup of hazardous-waste sites, allows for the recovery of monetary damages for cleanup costs and the destruction of natural resources. Damages are based on the costs of restoring, rehabilitating, replacing, or acquiring the equivalent of the resource lost or injured.

Although the Environmental Protection Agency administers the Superfund law, the Interior Department is the caretaker of public natural resources, including land, water, and wildlife.

While the Superfund law requires that "cost-effective" restoration decisions be made for repairing natural resources, NCLC will argue that the Interior Department's regulation fails to give adequate guidance for making those decisions.

Among the other issues to be raised by NCLC:

■ Whether the rule improperly refers to the cost of restoration of injured natural resources instead of solely to the restoration of services provided by the resources.

■ Whether the rule sets forth an improperly vague and subjective standard for determining when restoration costs are grossly disproportionate.

■ Whether the rule should establish a requirement to compare the costs and benefits of alternative restoration measures on an incremental basis in deciding at what point the costs of additional restoration efforts become grossly disproportionate to the benefits.